

WOLSELEY HUGHES
Central to Britain's heating
Heating and Plumbing Merchants,
Farm and Garden Machinery, Engineering, Plastics.

Electronic banking and shopping
p7

That golden, delicious Big Apple
p21

The week the miners had nowhere else to go
Racial: How Sir Ernest upset the City
p24 p25

Dead 2,500 years. Now he's telling tales
p23

Are you sitting correctly?
p19

WORLD NEWS

Howe in attack on Tory critics

Foreign Secretary Sir Geoffrey Howe, in a speech to the Cambridge University Conservative Association, attacked the Government's Tory critics and urged them "to maintain the cohesion of our party." Back Page

Dikko extradition call

Nigeria's military government requested the extradition from Britain of Alhaji Umaru Dikko, the victim of an unsuccessful kidnapping in London last June.

PM proposition claim

Mrs Thatcher was sexually propositioned by a leading public figure at the Queen's official residence in Scotland, Conservative MP Nicholas Fairbairn said during Commons debate on the Sexual Offences Bill.

TGWU backs Kinnock

The transport workers' union will oppose any change this year to Neil Kinnock's leadership of the Labour Party, said the union's general secretary-elect Ron Todd. Page 4

Austria row over Reder

Opposition politicians in Austria called for the resignation of defence minister Friedrich Frischenschlager who met former SS officer Walter Reder on his return from prison in Italy. Page 2

Turkish Cypriot polls

Turkish Cypriot leader Rauf Denktaş announced elections for his breakaway state in northern Cyprus on June 23. Page 2

Israel, Egypt talks

Israel and Egypt are to meet at Beersheva tomorrow for the first time in two years to discuss security for the disputed Golan Heights. Page 2

\$5m for famine relief

The Government announced further aid of \$5m for famine relief in Africa, mostly for Ethiopia and the Sudan.

Patients go private

Patients of the NHS are being treated in a private hospital in a bid to speed up the transfer of patients from public and private health sectors. Page 4

Air licence challenge

The Civil Aviation Authority is to be challenged in court on Tuesday over its refusal of a licence to Highland Express which plans low-fare trans-Atlantic flights. Page 4

UBB man jailed

Geoffrey Edwards, an Ulster Defence Regiment member, was sentenced to life imprisonment in Belfast for the murder of a Sinn Féin worker. He pleaded guilty to 12 other charges including six attempted murders.

Holidays abroad fall

The travel trade estimates there will be a 10 to 15 per cent fall in Britons on holiday abroad this summer. Page 3

Financial Times

We apologise for typographical errors in this edition, particularly in statistical material, resulting from a computer error by National Graphical Association and Sopat '82 reading-room members.

MARKETS

DOLLAR	
New York lunchtime	DM 3.1665
FFr 9.6326	
Sfr 2.663	
Y253.95	
LONDON	
DM	FFr 9.166 (1.156)
FFr 9.635 (9.635)	
Sfr 2.661 (2.655)	
Y253.9 (253.7)	
Dollar Index 145.1 (same)	
Tokyo close Y253.75	
U.S. LUNCHTIME RATES	
Red Funds 8.4%	
3-month Treasury Bills	7.62%
Long Bond 10.44%	
yield 11.22%	
GOLD	
New York: Comex January latest	\$399.2
London: \$399.4 (\$398.1)	

BUSINESS SUMMARY

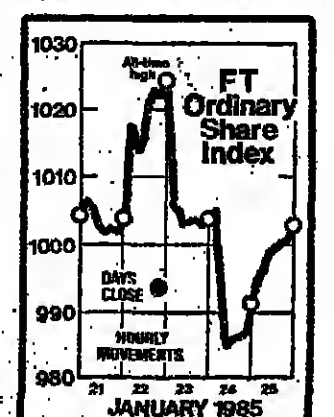
Managers at Lucas leave in reshuffle

LUCAS INDUSTRIES managers Keith Wills and Marcus Beresford have resigned from their posts in a management upheaval at the Birmingham-based motor and aerospace components group.

The two men have left Lucas Electrical, the group's electrical and electronic car components subsidiary. Back Page

ICI and the Government last night both claimed victory in the company's High Court action claiming at tax concessions granted to its UK petrochemicals competitors. Back Page

EQUITIES regained some stability after a volatile week, revived by institutional demand. The FT Ordinary share index closed 11.1 up at 1,022.8, for a



loss of only 1.6 over a five-day period which saw the index hit a record 1,024.5. Page 3

NATIONAL SAVINGS is to sell a new £100 million savings certificate from February 13. It will pay 8.85 per cent tax-free if held for the full five-year term. Page 3

UNION leaders of local government manual workers in England and Wales warned of the possibility of industrial action after the breakdown of pay talks. Page 4

SINCLAIR postponed a decision to open a third production line for its C5 electric vehicle at Merthyr Tydfil, South Wales, blaming a threatened 24-hour pay strike. Page 3

FRANCE launched a FFr 2bn (£185.2m) plan to install 120,000 microcomputers in state schools by the end of this year. Most orders are expected to go to the nationalised Bull group. Page 2

ITALIAN government, employers and unions were considering who was to stop a Communist-inspired referendum aimed at restoring earnings lost when wage indexation was temporarily blocked last year. Page 2

SKANDIA, Scandinavian insurance group, announced earnings down from Skr 686m (£88.93m) in 1983 to only Skr 10m last year after heavy losses in the non-life business, particularly in the U.S. International operations registered losses of Skr 310m, down from profits of Skr 407m. Page 27

BANCO FILIPINO, the Philippines' largest savings bank, was declared insolvent and its small depositor accounts transferred to the state-owned Philippine National Bank. Page 27

NUM and coal board to meet on Tuesday

By JOHN LLOYD, INDUSTRIAL EDITOR

THE leadership of the National Union of Mineworkers, now in the 11th month of Britain's longest major strike, is preparing to enter a final round of negotiations with the National Coal Board aimed at a deal which would pave the way for pit closures on economic grounds.

Mr Arthur Scargill, the NUM president, yesterday said that the union had accepted an invitation from the coal board to hold informal discussions on Tuesday. The discussions will seek to produce a written agenda for substantive talks involving the entire NUM executive.

The coal board will insist in these preliminary talks that the union agrees to have two issues high on the agenda: the closure of uneconomic pits and the management's right to manage. Further, the Government and the coal board will insist that these are written into the final agreement in some form. They will not permit the agreement to go in any significant way beyond the details of the agreement between the coal board and Nacods, the pit

deputies' union, concluded in October. This provided for an independent review body which would adjudicate on all proposed closures.

It is likely that the coal board will press for the terms of reference of the review body to include a consideration of "costs of production," among other factors.

The only sweetener for the union could be a recognition in the agreement that it should retain the right to oppose pit closures by means up to and including industrial action—hardly a major concession to an independent union.

An indication of the toughening of the coal board's line is that its team handling the preliminary talks with Mr Peter Heathfield, the NUM general secretary, will be headed by Mr Merrick Spanton, the coal board member for personnel.

Mr Ned Smith, the industrial relations director, whose attempt to move to a settlement on a less explicit basis earlier in the week was repudiated by Mr Ian MacGregor, the coal board chairman, is not included in the team. He is to retire from

the coal board next week.

Uncertainties surrounded the possibility of an agreement, although it is clear that the strike is in its final stage. Mr Scargill, whose public position remains only that the union will talk without preconditions, will talk with the coal board's demands hard, if not impossible, to accept. However, his strategy of continuing defiance has lost him support he needs on the NUM executive.

Centrist figures such as Mr Sid Vincent, general secretary of the Lancashire NUM, and Mr Denis Murphy, president of Northumberland NUM, now see no alternative but to sue for peace. Mr Scargill's two closest colleagues, Mr Heathfield and Mr Mick McSherry, the union vice-president, also see the need to consider concessions.

It seems certain that the union will not be able to get assurances that the 4m tonne cut in capacity proposed on March 6 and the closure of five named pits will be lifted. It will be continued on Back Page

UK trade figures deteriorate

By MAX WILKINSON, ECONOMICS CORRESPONDENT

BRITAIN'S TRADING performance deteriorated sharply in 1984, with a 40 per cent increase in the deficit on non-oil goods, to £11.4bn.

Official figures yesterday showed that the current account surplus on the balance of payments fell from £2.3bn in 1983 to only £200m last year. A substantial part of this fall was attributable to the miners' strike, which pushed up imports of coal and oil.

The figure for the past three months of 1984 show evidence of improvement in the non-oil trading performance, with a substantial rise in exports to a value 18 per cent higher than average for 1983.

For the year as a whole exports rose by 84 per cent in volume terms compared with 1983.

Imports of non-oil goods were up by 12 per cent in volume in 1983. Their level in the three months to December was nearly 17 per cent above average for 1983.

Despite increased burning of oil in power stations to replace coal as a fuel the oil surplus rose to £7.3bn, compared with £6.9bn the previous year. This was offset by a large deterioration in the oil trade account, where the £11.4bn deficit compared with £8bn in 1983 and £2.5bn in 1982.

The deterioration of the non-

BALANCE OF PAYMENTS £bn, seasonally adjusted			
CURRENT BALANCE	VISIBLE (oil)	BALANCE (non-oil)	INVISIBLE BALANCE
1982	4.99	4.57	2.50
1983	2.29	4.88	2.59
1984	0.20	7.27	11.40
Q1	0.46	2.22	2.45
Q2	-0.32	1.59	0.92
Q3	-0.46	1.74	2.31
Q4	0.52	1.62	2.63

NB: Recent figures for invisibles are estimates subject to revision

oil trade figures may be one reason why the Government was until recently prepared to allow sterling to fall on the foreign exchanges without an official attempt to halt the slide.

Though a cheaper pound should help exports so long as it does not lead to widespread price increases, it will in the shorter term tend to worsen the trade balance position because imports become more expensive.

Yesterday's figures showed that in 1984 total visible trade was in deficit by £4.1bn, with exports at £7.4bn and imports at £11.5bn. This was broadly offset by the estimated surplus of £4.3bn on invisible trade.

The figures show a steep rise in imports of basic materials in the last three months of 1984, which may support other figures suggesting that manufacturing industry continues to increase its output.

The deterioration of the non-

Exports of manufactured goods rose by 14 per cent in the final quarter compared with the third and were up by 10 per cent in volume for 1984 as a whole.

The figures show a 23 per cent rise in exports from the UK to North America, reflecting the competitive advantage British industry has gained from the high value of the dollar against the pound.

Philip Stephens writes: Sterling came under renewed pressure yesterday on foreign exchange markets, falling to record lows against both the dollar and the D-mark.

Foreign exchange dealers said that speculative selling from New York led to a sharp

Continued on Back Page

New National Savings certificate. Page 3 Editorial Comment. Page 24; Money Markets. Page 29

Sangers to abandon full SE listing

By GORDON CRAME

SANGERS, the photographic and manufacturing holding company, plans to abandon its full Stock Exchange listing and accept voluntary demotion to the second-tier Unlisted Securities Market.

The move is believed to be unprecedented for a company so engaged in a complete overhaul of its business. Mr John Briggs, Sangers' chairman, said yesterday that it was being made to allow the company to buy a large privately-owned cosmetics group in the U.S.

Mr Briggs announced the purchase of Pavon Cosmetics of New York for \$24m (£21.6m), but added that Pavon did not have a lengthy enough record of audited accounts to satisfy the Stock Exchange authorities. Because of the size of the deal in relation to Sangers, it would have to move down to the USM, he said.

There it will join Sangers

Photographics, its 76 per cent owned subsidiary which was floated off a year ago, and Staneco, a plastics and metals company in which it holds 60 per cent.

To finance the purchase, Sangers is proposing a capital raising package which will call on shareholders for £18.4m. The measures include a nine-for-eight rights issue priced at 33p a share.

Sangers' shares were suspended last September at its own request when it gave the first indication of a "major U.S. acquisition."

One effect of yesterday's deal is to reduce the holding of Mr Tom Whyte, the Bermuda-based financier, from 45 per cent of Sangers' equity to about 30 per cent.

Mr Stan Acker, who founded Pavon from his home about four years ago, is to buy some

of Mr Whyte's shares and will join the Sangers board.

Pavon, which recorded pre-tax profits in its last financial year of \$3.55m on sales of \$18.67m, is geared towards the budget end of the cosmetics market. Its lipsticks and nail varnishes, sold under the Wel 'n Wild brand, are mainly priced at less than \$1 each.

Mr Briggs yesterday described the deal as one which, despite the loss of Sangers' full listing, the company believed was for the maximum benefit of the 3,000 Sangers shareholders.

"We will seek a full listing later on, when we have the proven track record from Pavon which we need," he added.

Mr Whyte also expressed his contentment. "The most important thing is the quality of business—the listing is secondary," he said.

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OVERSEAS NEWS

Italy may hold referendum on wage indexation

BY JAMES BUXTON IN ROME

THE ITALIAN Government, employers and unions were yesterday considering how to restore some of the wages lost when wage indexation was temporarily blocked last year.

The constitutional court ruled late on Thursday that a referendum on the issue, for which the Communist Party collected 1.5m signatures, would be valid and should be held between mid-April and mid-June.

The court's decision, though not unexpected, has aroused grave fears that the anti-inflation policy of Sig Bettino Craxi's Government could be knocked seriously off course.

The employers, who believe the outcome of the referendum could cost them L7,500bn (L3.8bn) could be responding by refusing to pay wage increases in line with indexation altogether, a decision which would provoke serious tension in labour relations.

Last February Sig Craxi's Government cut by four the number of points on the Scalo Mobile (sliding scale) indexation system for which wage earners could be compensated with pay rises. The decision was ratified by Parliament after a long battle and helped to set inflation down from an annual rate of 12.3 per cent at the beginning of the year to 8.8 per cent in December.

Michelin Italia to lay off 1,000 workers this year

BY ALAN FRIEDMAN IN MILAN

MICHELIN ITALIA, the Turin-based long-standing subsidiary of France's leading tyre group, is to lay off 1,000 workers this year. The move, the final stage of a three-year rationalisation and restructuring programme, is designed to reduce operating costs.

Michelin Italia said last night that the company had last year managed to increase its turnover by 12.7m (L12.7m) loss recorded in 1979. The 1984 loss, of around L100m, was made on Italian sales of L1,000m.

Michelin Italia, which claims about one-third of the Italian tyre market, has been hit in recent years by recession, a slump in the European automotive

market, high overhead costs and over-capacity in the market, which is led by the Milan-based Pirelli Group.

The company said it employs 12,000 workers in Italy, with around 1,000 having been shed since the restructuring programme began in 1982. These workers, like the 1,000 to be made redundant this year, will receive state benefits under Italy's cassa integrazione scheme, which pays workers who are redundant a large proportion of their former salaries.

Michelin's job cutbacks worldwide now total more than 16,500 since 1981.

Swedish opposition draws up alternative budget

BY DAVID ARDWIN IN STOCKHOLM

SVEDEN'S Conservative Party has laid down the battle lines for the forthcoming general election campaign with a five-point alternative economic programme which calls for a major transfer of resources to the private sector to spur economic growth.

The alternative budget, tabled in the Riksdag (parliament) yesterday, seeks reductions of SKr 21bn (L2.07bn) in government outlays and SKr 10.5bn in taxes. It also envisages broad-scale cutbacks in the public sector and social benefits.

Earlier this month, the ruling Social Democrats announced a tight 1985-86 budget with expenditures of SKr 320.2bn, with a central government deficit of SKr 63.5bn. Interest payments on the

national debt make up SKr 71.2bn (or 7.2 per cent of GNP).

Although the minority government's budget is expected to pass the Riksdag this spring with the help of Communist Party votes, the Administration faces a major threat at the polls in September from the non-socialist opposition led by the Conservatives.

Social Democratic popularity has dropped in recent public opinion surveys and the opposition has taken the lead. Despite their growing strength, however, the opposition parties disagree on many issues, not least tax and energy policy. This led to the failure of Sweden's single six year interlude of non-socialist rule which ended in 1982.

Turkish Cypriots to hold elections

By Andreas Hadjipapas in Nicosia

MR RAUF DENKTASH, the Turkish Cypriot leader, yesterday announced "general and presidential elections" in his breakaway state in the north following the breakdown of talks on the future of the divided island.

Legislative elections will be held on June 23, while presidential and local elections will be held over a month from June 15.

Mr Denktash said "completing our constitution and holding elections would not



Denktash completing constitution

close the door to a federal solution" but would strengthen the Turkish-Cypriot position at future talks.

His statement appeared to indicate he was also planning a referendum on the new constitution of his self-proclaimed "Turkish Republic of Northern Cyprus".

This would allow him to stand for a re-election and consolidate his "state" which has been recognised only by Turkey since it was proclaimed in November 1983.

The present constituent assembly has 40 members elected in 1981 under an earlier constitution and 30 nominated by Mr Denktash. The draft constitution calls for an assembly of 70 elected members.

Moves to approve the independence constitution and hold elections were shelved under international pressure.

Mr Denktash has refused to commit himself to a date for resumption of talks with President Kyprianou. When Sir Peter de Cailliau, the UN Secretary-General suggested the end of February, Mr Denktash made it clear he would first be holding elections within his community.

Three Cypriots believe the move is an attempt to exert pressure on them even though the UN Secretary-General, during his recent visit to London, appealed to the two sides "not to take any decisions which would undermine the atmosphere of the next meeting, whether this was in February, March or April."

Greek complains of harassment

By David Barchard in Ankara

THE ANKARA correspondent of Greece's semi-official newspaper, *Avra*, has accused Turkish authorities of harassing her, writes David Barchard in Ankara.

Miss Katerina Mistakidou, 36, said in a letter to Mr Mesut Yilmaz, the Turkish government spokesman, that she has been repeatedly harassed in the streets and harassed in a variety of ways since early November. She accused the Government of warning Turks friendly to her to avoid her company.

IT WAS a moment of silent drama. In a packed lecture hall at the University of Palermo, a crowd of more than 200 politicians, priests, judges, professors, students and widows of slain officials listened as the slain leader of the Communist Party concluded a 30-minute call for unity against the Mafia.

"And now," declared Sig Figliorelli, his voice rising steadily, "we of the Communist Party would like to publicly give our best wishes to the Christian Democrats of Sicily. May you work well in the public interest."

As Sig Figliorelli sat down the packed hall suddenly went still. The faces of the people in the audience were full of surprise and then determination. One man at the rear of the hall began applauding and soon everyone joined in.

"Can you see how emotional this is for us?" whispered Dr Leoluca Orlando, the Vice-Commissioner of Palermo. "All of these people from all of these political backgrounds are together. This is the other Sicily. We cannot tolerate the bloody violence any more."

The political and social unity of the meeting was truly unusual. On a cold January evening, this group of honest and frustrated citizens was banded together for nearly three hours. The occasion

French plan for school computers

BY PAUL BETTS IN PARIS

THE French Government launched an ambitious Ffr 2bn (L155m) plan yesterday to install 120,000 microcomputers in French state schools by the end of this year.

M. Laurent Fabius, the Socialist Prime Minister who has personally pushed forward the school computer project, said the programme would help transform France into one of the leading high technology countries.

The programme will also create a major captive market for the nationalised French microprocessing industry at a time when it is struggling to compete against U.S. and U.K. microprocessor manufacturers.

The bulk of the school computer orders are expected to go to the nationalised Bull computer group, which has just launched an IBM-compatible personal business computer called Mical 30, and to the nationalised Thomson electronics group which manufactures a family of personal computers.

Special legislation extending the state of emergency in France's Pacific territory of New Caledonia until June 30 was cleared last night by the French Constitutional Court. The French right-wing RPR party had sought to challenge the legislation, approved by the National Assembly on

Thursday, by taking the issue before the Constitutional Court.

The Socialist Government rushed legislation through parliament this week after the original decree establishing a state of emergency in the colony had lapsed.

It is generally acknowledged that the two French groups have entered the fiercely competitive small computer market late in the day. Both have also been actively seeking support from the state for their micro-computer activities.

M. Fabius confirmed yesterday that French manufacturers would be given priority in the new programme. However, barely six months ago, the French Government had also envisaged a deal with the U.S. Apple group which would have invested in a Brittany plant to produce Macintosh micro-com-

puters. But the nationalised French groups lobbied fiercely against the Apple project. Although the Government has not altogether ruled out foreign suppliers for its school programme, M. Gilbert Trigano, the chairman of the Club Méditerranée holiday group and M. Fabius' special adviser on the programme, made it clear yesterday there was little chance for foreign companies.

M. Trigano suggested that if Apple were to build a plant in France, it would never be ready in time for the start-up of the programme in the September school terms.

The programme is politically important for M. Fabius one of whose main priorities has been to introduce modern technology in the French school system coupled with the related problems of trying to resolve France's mounting youth unemployment problem.

M. Fabius said 33,000 schools would be equipped this year with basic equipment including a personal computer each, a colour television and software systems. Computer workshops would also be set up in universities, colleges and some schools.

It is not the first time a French Government has sought to introduce greater high technology applications in the French school system. However, M. Fabius' project is certainly one of the most ambitious and costly projects of its kind. The Prime Minister said the funding for the programme would come out of the state budget.

War criminal's return sparks row in Austria

BY PATRICK ALUM IN VIENNA

THE RETURN to Austria of a convicted war criminal and former S.S. officer, Herr Walter Reder, has caused a major row within the Austrian coalition Government.

Dr. Franz Sinsowatz, the Socialist Chancellor, publicly censured his Defence Minister, Dr. Friedhelm Frischenschlaeger, of the small Freedom Party, for having received Herr Reder on his arrival from Italy where he had been imprisoned, and for having accompanied Herr Reder on his onward journey to Vienna.

Dr. Sinsowatz said the minister had made a grave political mistake. He asked Dr. Frischenschlaeger to

explain his conduct.

Last night, Dr. Frischenschlaeger responded by saying that he acknowledged the Chancellor's remarks and was preparing a reply. He said he would make no comment until his formal reply was prepared.

The row once more puts the uncomfortable coalition government on the spot. It is especially embarrassing to Dr. Sinsowatz who knew nothing of the arrangements made for Reder's return. They were discussed in secret by Dr. Frischenschlaeger and the Foreign Minister, Herr Leopold Graf, a Socialist.

Dr. Frischenschlaeger unexpectedly and to widespread consternation greeted Herr Reder on his arrival on board an Italian military aircraft at Graz, in southern Austria on Thursday. He then accompanied Herr Reder in an Austrian military aircraft to Langenham airfield some 25 km west of Vienna from where they both flew by helicopter to the Marinek military barracks at Baden where Herr Reder will initially be staying.

Italy handed over Herr Reder to Austria after several appeals for clemency from the Austrian Government. He was serving a life sentence for his part in the massacre of 1,830 people at a village in northern Italy in 1944, but released before the end of his sentence which was due to expire in 1979.

Dr. Frischenschlaeger's action has been condemned by politicians of all shades and Jewish groups here. No one can quite understand his motives. It is suggested that he has been naive or that he may be seeking to carry favour with the nationalist wing in his own party.

In his defence, Dr. Frischenschlaeger said that he had been acting in his personal capacity and had thought it best to go and meet Herr Reder himself.

Iran accused over Managua aid

BY REGINALD DALE, U.S. EDITOR IN WASHINGTON

THE REAGAN Administration has broadened its accusations against Nicaragua by suggesting that Iran is giving the Sandinista Government active support in its bid to foment revolution in Central America.

U.S. officials claim that the current visit to Managua by Mr. Hussein Mousavi, the Iranian Prime Minister, is part of a broader Iranian plan to introduce Middle Eastern terrorist techniques into the region. One Washington official was quoted yesterday as describing Mr. Mousavi as the "kingpin in the Iranian terrorist operation."

Some U.S. officials said that Mr. Mousavi was expected to discuss a possible oil deal between Nicaragua and Iran that would

reduce the need for Nicaragua to buy oil from Mexico and the Soviet Union, as well as possible arms supplies.

On Thursday President Ronald Reagan publicly warned of "a dagger in Central America" stemming from Iranian support for the Sandinistas together with help from Libya and the Palestine Liberation Organisation (PLO). Mr. Reagan has referred to Libya and the PLO in this context before, but it was the first time he had mentioned Washington's arch-enemy Iran.

State Department officials had earlier played down the significance of Mr. Mousavi's visit to Nicaragua, saying that they saw it as an attempt to show Third World solidarity. They did not expect it to have any particular significance for the U.S.

Other officials, however, suggested that Iran was trying to extend anti-U.S. terrorist activities, such as the 1983 suicide truck bombings in Beirut, into the western hemisphere.

AP reports that Mr. Mousavi promised that his country will always be by the side of Nicaragua, and wished the Sandinista Government success in its fight against U.S.-backed rebels. Iran's official news agency reported.

Robert Graham writes: Iran has been aiding Nicaragua for at least a year by giving it crude which has been sold by the Sandinistas on the spot market for hard currency. Iran, along with Algeria, has also stepped in to buy Nicaraguan sugar following the U.S. slashing its quotas.

Nakasone gives backing to tax reform

By Jurek Martin in Tokyo

MR YASUHIRO NAKASONE, the Japanese Prime Minister, yesterday added his weight to a long-running campaign for a fundamental reform of the national tax system.

In a policy address marking the opening of the parliamentary session, he spoke almost exclusively in generalities but did say that "I believe we need to begin the study the issue of sweeping reform of the tax system."

A similar guarded endorsement was also forthcoming from Mr. Noboru Takeshita, the Finance Minister, in his policy speech, in which he also pledged continuation of a more liberal financial regime in Japan.

In practice, tax reform, specifically the introduction of new consumption levies, perhaps along the lines of value added tax, is unlikely to take place before 1987. This is because political experience in Japan dictates that any form of new tax or tax increase does not bring popularity at the polls.

Meanwhile excitement was being generated offstage by rumours of a rift between Mr. Nakasone and the pillar of his support, the former prime minister, Mr. Kakuei Tanaka, over the appointment this week of a new Speaker of the Lower House.

Mr. Tanaka is said to have thought he had agreed with Mr. Nakasone on a candidate, but that the Prime Minister had changed his mind without consulting him. The less majestic was compounded the Prime Minister's plan to have Mr. Susumu Nakai, a close confidante of Mr. Tanaka and a potential rival of Mr. Nakasone, neutralised by naming him Speaker.

Beirut halts foreign exchange dealings

By Richard Johns in Beirut

BEIRUT BANKS suspended all foreign exchange dealings yesterday morning as the Lebanese pound plunged to an all-time low of \$12.25 in early trading, almost half the level of five months ago.

The panic was clearly stimulated by the warning on Thursday by Mr. Camille Chamoun, Minister of Finance, that "we may face a catastrophe unless immediate action is taken to halt the remorseless slide in the currency's value and revive the economy."

The commercial banks took the initiative yesterday without any prompting from the central bank which has proved unwilling and unable to intervene under its newly appointed governor, Dr. Edmond Naim, and his three inexperienced deputies who took office only on Monday.

Before the appointments, the central bank had ceased to sell dollars in support of the Lebanese pound because of the drain on foreign exchange reserves. These are believed to have dropped as low as \$500-600m as the inflow of dollars, particularly from the tourist industry, has dried up and Government calls upon them have increased. They are now said to be only sufficient to finance state imports of essential commodities until the summer.

The central bank's gold holdings, meanwhile, worth over \$350m (L2.7bn), are generally regarded as insufficient to cover for the currency.

Yesterday afternoon a crisis meeting of the country's Economic Council was being held at the presidential palace at Baabda. Chaired by Mr. Victor Kassis, Minister of the Economy, it includes representatives of private sector business associations.

Observers believe that the Government might decide to limit foreign currency purchases to the settlement of invoices relating to commercial deals and ban strictly financial dealings. However, they doubt whether any such measure could be enforced and are sceptical as to whether anything can be done to stop the slide, apart from the restoration of some form of full sovereignty throughout the country.

Lack of confidence in the country's future, the Government's near insolvency and anxiety over the deterioration of the economy has led the majority of depositors in shift into dollars. "The trouble is that everyone wants to buy dollars and no one, including the banks, wants to sell them," said one leading banker.

Midland warns Brazil on debt rescheduling

By Andrew Whitley in Rio de Janeiro and Peter Montagnon in London

THE MIDLAND BANK has warned Brazil that it will find it "very difficult" to refinance a proposed \$45.3bn (L24.6bn) new debt rescheduling unless steps are taken to clear debt service arrears piled up by the Sunnaman merchant marine authority.

The warning in a letter sent by Midland to the Brazilian Government earlier this month has been backed up by pressure from the Citibank-led committee of leading creditor banks which wants the arrears cleared up to smooth the passage of the rescheduling through the markets.

The dispute over the late payments has been simmering since last summer but only came into the open yesterday when the leading *Jornal do Brasil* daily published details of Midland's complaint alongside a letter from the bank's advisory committee expressing its "serious concern."

Sunnaman, with foreign debts of about \$150m, was taken over by the Federal Government in August 1983 when it became clear that it could not meet its financial obligations.

The public revelation of the dispute between Sunnaman and commercial bank creditors has come at a very embarrassing time because the advisory committee is due next Tuesday to resume negotiations with Alfonso Celso Pastore, the Central Bank governor, on a multi-year rescheduling arrangement covering debts worth some \$45.3bn.

Senior bankers were at pains to stress yesterday that the Sunnaman problems should not be of themselves a prelude to a round of negotiations which are to concentrate on the largest margin to be paid for Brazil in its new rescheduling.

But unless the arrears are cleared up resistance to the rescheduling is likely to build up. It is submitted for all creditors to agree a stage-wise plan is still weak if the arrears are not cleared up.

And so the unusual public meeting came to an end, the audience filing out in near silence. It seemed like a frightening scene out of a Hollywood film, but sadly for the people of Palermo, this was real life.

Alan Friedman, recently in Palermo, on growing alarm over the power of the mafiosi

Sicily struggles to stem the Mafia tide



General Dalla Chiesa: his murder has paralysed Sicilian politics

was a memorial designed to commemorate Sig. Elio Matarrella, the Christian Democrat president of the region of Sicily, who was murdered by the Mafia five years ago.

The killing of Sig. Matarrella, like the assassination in 1982 of General Carlo Alberto Dalla Chiesa, the special high commissioner against the Mafia, was regarded by Palermo's anti-Mafia establishment as an attack upon the state. Speaker after speaker—and these included priests, Socialists, Christian Democrats and Communists—repeated that the Italian state was under siege in Sicily. Some said the state had already been defeated by the Mafia.

Despite all the recent publicity surrounding the revelations of arrested godfather Sig. Tommaso Buscetta, whose break-log of the Mafia code of silence led to the arrest of 356 mafiosi, there is no sense of victory in Palermo. "To be honest I must say that the Mafia in Sicily is now stronger than the state," says Sig. Lillo Mannino, the former Agriculture Minister recently elected regional secretary of the Christian Democrat Party, the leading political force on the island.

Sig. Mannino's job, for which he was handpicked by the National Christian Democrat

involves largely around power struggles inside the ruling Christian Democrat Party, has been in a continuous state of paralysis since the 1982 killing of General Dalla Chiesa. In this vacuum the Mafia has flourished and the lecture hall meeting reflected the feelings this has aroused. The people present displayed a depth of emotion one could more easily associate with anti-Nazi resistance fighters than with Italian citizens living in 1985.

The past five years in Sicily have been a testing time of bloodshed and conflict. The Mafia, made powerful by billions of dollars of heroin-related income, is more ruthless than ever. "The people are living in a period analogous to the 1940s, when we had to go underground to resist fascists and Nazis," says Dr. Orlando, one of the few politicians to speak openly about the Mafia.

Dr. Orlando and others reckon that Palermo has become an ungovernable city. Five mayors have come into office and resigned during the last year. "No mayor can govern for fear of offending Mafia," explains Dr. Orlando. If the city has a building contract to offer then the mayor or officials are threatened by Mafia, he says. "The Mafia exerts rigid control."

Publicly, Italian officials claim they are making progress in the battle against the Mafia. But the reality is that in much of Sicily, and particularly in the stronghold of Palermo, the Mafia is the effective ruling authority.

Consider this example of life in Palermo: as the lecture hall meeting was taking place a leading anti-Mafia magistrate, Dr. Giovanni Falcone, was being driven across Palermo (from office to home) in his normal everyday motorcade of four screaming Alfa Romeo police cars with 11 armed bodyguards to protect him. A fellow magistrate, Sig. Rocco Chinnici, was gunned down in 1983.

"I sometimes ask myself," said a politician after the meeting, "if it is possible to do anything, if it is possible to do anything, if it is possible to do anything."

Gesturing to the Communists, Don Giacomo Ribauda, a local parish priest, said: "My presence here tonight, with a political party which is hardly a supporter of the church, is an expression that we must work together for justice."

And so the unusual public meeting came to an end, the audience filing out in near silence. It seemed like a frightening scene out of a Hollywood film, but sadly for the people of Palermo, this was real life.

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UK NEWS

Tax leeway on company exchange rate profits

By Clive Wolman

COMPANIES have been granted more flexibility by the Inland Revenue in offsetting their exchange rate gains and losses so as to reduce their corporation tax burden.

A provisional statement of practice was issued yesterday by the Inland Revenue to clarify its tax position following a House of Lords judicial decision in December 1983.

The Lords ruled that the Marine Midland bank did not have to pay corporation tax on the notional exchange rate profits on its dollar loans. This was possible because it had aimed to match its dollar assets and liabilities approximately so that its foreign exchange risk would be hedged.

The Law Lords, however, did not specify the tax consequences of other types of exchange rate gains or losses, in particular those where currency risks are not completely hedged. This lack of clarity has created uncertainty for companies with overseas assets or liabilities when drawing up their accounts.

The Inland Revenue statement of practice may now be used by companies to settle their tax liabilities if they wish, Mr John Moore, Financial Secretary to the Treasury, said in answer to a parliamentary question. However, the statement is only provisional, he said, and may be altered in the light of further comment. The practice may also be challenged in the courts.

The statement accepts that fully-matched foreign exchange positions will not give rise either to a taxable profit or a loss offsettable against tax. The Inland Revenue will also not normally engage in detailed analysis of the exchange differences in a company's accounts.

But it may continue to demand tax if gains appear as a result of the translation of foreign currency assets or liabilities into sterling at the balance-sheet date. Such translations are in accordance with accounting practice, the Inland Revenue says.

The Inland Revenue does accept that exchange rate losses on capital items can be at least partially offset against corporation tax if the company has an unmatched position.

The special status of banks and other financial institutions, which declare profits on some assets only when they are sold, is also accepted. Such companies will normally be allowed to continue to revalue their assets to reflect currency fluctuations for tax purposes.

Cities win cash to study waste heat schemes

By Maurice Samuelson

THE Government is to finance feasibility studies on the use of waste heat from power stations to provide cheap central heating from inner city areas.

Mr Peter Walker, Energy Secretary announced yesterday that his department was offering £750,000 for the preparation of prospectuses in Belfast, Leicester and Edinburgh, which have formed consortia with private industry to develop schemes for combined heat and power.

If the schemes in these cities go ahead, a large capital investment will be needed to pay for new power stations and the infrastructure to pipe waste heat to inner city commercial and industrial buildings and homes.

Proponents of combined heat and power say it would cut the nation's energy bill because it would harness the two-thirds of the heat lost by conventional electricity power stations.

Company pension schemes face upheaval, says report

By Clive Wolman

COMPANY PENSION schemes face a period of administrative upheaval and sharply increased liabilities as a result of pending legislative changes, a survey published yesterday suggests.

The survey, which covers 414 schemes, was jointly sponsored by the British Institute of Management and Professional Publishing.

It shows that only 38 per cent of the schemes make any increase in the frozen pensions of employees arising from their earlier contributions—who leave the company of their own free will before retirement.

The Social Security Bill requires all pension schemes to revalue the frozen pensions for so-called early leavers each year, in line with inflation, although only to an annual maximum of 5 per cent.

The survey shows that only 18 per cent of small or medium-sized schemes revalue such pensions in any way, although 43 per cent of the large schemes do so. Only half the schemes do so by reference to an index or fixed annual rate.

Overall, only 2 per cent of the schemes revalue pensions by a method similar to that required by the Bill.

At present, the only protection for early leavers is the requirement that their guaranteed minimum pension will, after leaving, be revalued annually, usually in line with earnings. A minimum pension is guaranteed to employees outside the state pension scheme.

However, the survey shows that half the schemes cut the costs of such revaluation by reducing any further payments to an early leaver beyond his right to a guaranteed minimum pension.

Under the Health and Social Security Act, 1984, this practice is prohibited for employees leaving a scheme after January 1 of this year, thus increasing the liabilities of many schemes.

Early leavers sometimes have the right to use the value of their frozen pensions to buy a deferred pension annuity with an insurance company. The Social Security Bill would guarantee such a right to all early leavers, although at present, the survey shows, it is not granted by 43 per cent of schemes.

Thousands face holiday changes

By Arthur Sandles

THOUSANDS of holidaymakers are likely to be hit by package tour "consolidations"—the travel trade euphemism for changes in the arrangements for their holidays—because of a big fall in bookings.

However, the main tour operators claim that the effect of the consolidations on their customers' plans will not be severe.

Parts of the itinerary which could be changed include flight departure times, a departure day, UK airport, hotel (usually because of overbooking, more likely this year in Greece than Spain), resort ("unlikely," the majors say), a country, or a combination of any or all of these.

The picture is confused by a swing in the number of people making early bookings for Greece and Yugoslavia instead of Spain.

All the main companies said yesterday that they would make final decisions over cuts in their programmes in the next two weeks. Under the industry's

code of conduct, significant changes are not allowed once the final invoice has been despatched—normally eight weeks before a holiday starts.

Thomson said: "Every major tour operator is looking at consolidations. We will be considering cut-backs over the next few weeks."

Intasun forecast a shortage of holidays by the spring and said it would look at consolidations with caution.

"We have 1,000 seats every Monday alone out of Gatwick to Majorca. That is quite enough for us to be flexible up or down. If there are any changes the customer will not notice."

The implication of this is that large aircraft would be replaced by smaller ones. The bigger ones might be moved in the Greek routes, where many operators have been overwhelmed by demand.

Boeing 737s, which form the backbone of the UK holiday fleet, are needed in the U.S. and British charter airlines can lease them for the summer months or a whole year.

This leaves open the possibility that if the tour companies are worried into pessimistic cuts in their programmes and there is a substantial surge in last-minute bookings, a holiday drought could emerge in July, August and September.

Issuing houses attack EEC rules

By Our Financial Staff

THE ISSUING houses have criticised the new procedures for stock issuance required by EEC standardisation.

In his annual report, Mr Robin Broadley, chairman of the Issuing Houses Association, describes the rules contained in the Yellow Book as "a major defeat for the Stock Exchange and its supporters."

He complains: "We are now compelled to operate an over-legalistic and tedious new system without any commensurate benefit for the users of the market."

He hopes the Government will heed the views of practitioners in its consideration of a new regulatory system for the City.

"Given the universal recognition of the need to guard against abuses of conflicts of interest it is in no one's interest to promulgate detailed codes of conduct until practical problems have been addressed and solved."

The association advises members that they can consult the Government broker, who runs the queue, when they have an acquisition which should be financed by a rights issue rather than a vendor placing.

Private sector film body plans to invest £3m a year

By Raymond Snoddy

THE PRIVATE sector replacement for the National Film Finance Corporation plans to partly fund between eight and 10 low-budget British films a year on an annual budget of about £3m.

The new organisation, which will take over from the NFFC when the Films Bill now before parliament becomes law, will be known as the British Screen Finance Consortium.

The four partners in the venture—Thorn EMI, Rank, Channel 4 and the British Videogram Association—spoke yesterday for the first time about their plans and the safeguards designed to ensure the body respects the tradition of the NFFC.

The partners would together put up £1.1m a year, and receive £1.5m a year for five years from the Government plus £500,000 a year from the portfolio of NFFC films.

The NFFC, formed in 1949, was involved with 1,500 films including the Third Man, the African Queen, Gregory's Girl and Another Country. In recent years, however, it has only had about £1.5m a year to invest.

Mr Justin Dukes, managing director of Channel 4, said the aim was to provide between a quarter and a third of finance for films costing about £1m. The partners would undertake to reinvest profits for the first three years.

Mr Dukes said the intention was to have an independent chief executive with freedom to decide which films to invest in. The partnership, which is open to others, would merely set the financial parameters within which the executive worked.

Commodore to shed 100 jobs

COMMODORE, the home computer company, is to make 100 redundancies among the 700 workers at its plant at Corby, Northants, because of a fall-off in sales.

The Commodore 64 is one of the best-selling home computers in the UK, but sales in the sector have been declining recently. This week Commodore's two main rivals—Acorn and Sinclair—announced major price cuts.

Sinclair car expansion postponed

By Arthur Sandles

SINCLAIR VEHICLES has postponed a decision to open a second production line for its C5 electric vehicle at Hoover's plant at Merthyr Tydfil, south Wales.

The company blamed a threatened 24-hour strike over pay by workers at the assembly plant. This has resulted in cancellation of a planned visit next week by the Prince and Princess of Wales.

The Hoover workers, who have banned overtime since before Christmas, are protesting at the company's refusal to bring its latest pay offer into line with a 7 per cent award at Hoover's Cambuslang plant in Scotland. The 1,700 Merthyr blue-collar workers have been offered 4 per cent.

The threatened 24-hour strike was deliberately fixed to coincide with the Royal visit to see Sir Clive Sinclair's latest brainchild.

The workers have been warned that Hoover will not automatically get the contracts to build other planned Sinclair electric vehicles.

However, the company rejected suggestions that it might seek production facilities elsewhere as a matter of urgency. Installation of a second line would involve several months' work, and capacity already installed is understood to be enough to meet first-year demand.

Sinclair has also imposed a new blackout on the number of vehicles sold since the machine's launch two weeks ago. This followed disclosure that less than 200 were sold during a three-day "ride and drive" exhibition at Alexandra Palace, London, and that just over 1,000 mail orders had been received a week after the launch.

Policy studies chief

MR DONALD DEX, former deputy secretary at the Department of Employment, has been appointed director of the Policy Studies Institute, the independent think tank which publishes research on a wide range of topics of general interest.

Mr Dex, aged 56, is succeeding Mr John Pinder who retires on March 1 after 20 years at the head of the institute.

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Airline licence refusal challenged

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

MR RANDOLF FIELDS, the founder of what eventually became Virgin Atlantic Airways, is to take the Civil Aviation Authority to the High Court on Tuesday in an attempt to reverse the rejection of his bid to found a new airline, Highland Express.

Mr Fields has sought rights for a licence to make low-fare flights between Prestwick in Scotland and New York, Toronto, Maastricht in Holland, Birmingham and Stansted, and between Stansted and Maastricht.

Yesterday the CAA rejected his application on the grounds that it was financially inadequate, especially in that Mr Fields was seeking the licence before he had established sufficient financial backing.

Mr Fields, late yesterday disputed the ruling. He said if the same philosophy had been applied to other airlines many of them would never have been granted the licences they now held.

He said "We are making an application to the High Court on Tuesday seeking leave to apply to the Divisional Court to challenge the CAA's ruling and its interpretation of the Civil Aviation Act. We believe the CAA is wrong in law and we intend to establish that fact."

"If we succeed in our application the CAA will be obliged to re-hear our application immediately on the financial aspects of the matter alone. Any other way would cause too much delay. We have made arrangements for aircraft procurement and financial backing which can be settled within days."

The authority had said earlier in a written decision that while Mr Fields' proposals were "imaginative and innovative" it was not satisfied the financial and other resources of Highland Express were "adequate for discharging its actual and potential obligations" for the services it planned.

The CAA acknowledged that

Mr Fields' plan was "cleverly conceived as a recipe for the effective use of Prestwick" and, if workable, offered a chance of reviving Prestwick's fortunes.

If the authority had been able to satisfy itself on the financial arrangements and if plans had been made to bring Highland Express's Lockheed TriStar aircraft on to the UK civil aircraft register, "it would have been prepared to grant the applications."

The CAA stressed, however, that it needed to be satisfied that Highland Express could produce "evidence that appropriate financial arrangements are in place, or that funds are ready to be made available subject to the execution of the necessary practical steps, once a decision to grant a licence is made known."

It saw no reason for departing from its normal practice of "requiring that firm evidence of progress towards satisfactory

financial arrangements needs to be upheld."

Mr Fields said yesterday "We are disappointed but we certainly are not down yet. We hope to have a licence in a week or two."

Discussions had been held with financial advisers on putting together a financial package of £7m-£8m to launch the airline but some potential investors had wanted to see a licence decision before putting up any money.

Mr Fields originally founded British Atlantic Airways, which became Virgin Atlantic when he sold a controlling interest to Mr Richard Branson's Virgin Group of record and other companies. Mr Branson is chairman of Virgin Atlantic but Mr Fields remains on the board with a 25 per cent share stake.

The Highland Express plan was to offer single fares as low as £115 on the Prestwick-New York-Toronto route and to revitalise the ailing Prestwick as a major "hub" airport.

Owen claim over TV 'imbalance' rejected

By Raymond Hughes, Law Courts Correspondent

DR DAVID OWEN, leader of the Social Democratic Party, yesterday failed to get High Court backing for his complaint about "gross imbalance" in the amount of television coverage received by the Alliance parties, compared with the Labour Party.

The court ruled that the Broadcasting Complaints Commission had been wrong to decide it had no jurisdiction to hear Dr Owen's complaint.

However, the two judges decided the commission had been justified in concluding that, even if it did have jurisdiction, it would be inappropriate for it to deal with the complaint.

Lord Justice May said what lay behind Dr Owen's complaint was a concern to change what he considered was the editorial policy of the BBC and Independent Broadcasting Authority.

That, said the judge, was not a matter for the commission—a view with which Mr Justice Taylor agreed.

After the judgment Dr Owen claimed a "substantial victory." If there were a particular complaint the commission would have to consider it. However, he acknowledged the ruling meant the Alliance had no redress from the commission on the complaint of general unfairness.

The Alliance would consider an appeal and would also consider taking on the BBC and IBA over editorial policy. Lord Justice May said television exposure and publicity formed a very important and necessary part of any political life.

Dr Owen and Mr David Steel, the Liberal leader, felt that the Alliance had not received adequate coverage compared with Labour. They felt the amount of publicity should reflect the parties' relative election votes.

In seven by-elections since the 1983 general election the Alliance vote had increased from 2.4 per cent to 26 per cent compared with 52 per cent for the Conservatives and 29 per cent for Labour.

An analysis of the BBC's Nine O'clock News and ITV's News at Ten for two weeks between February and April last year showed the Conservatives received 70 per cent of the time, Labour 25 per cent and the Alliance 5 per cent.

The commission had decided Dr Owen's complaint fell outside its terms of reference in rules on complaints of unfair treatment in programmes actually broadcast.

Reflecting that view, the judge said the complaint related to the way, as a matter of deliberate choice, material in a programme actually broadcast had been selected.

Nonetheless, the judge did not wholly accept Dr Owen's criticisms of the commission, saying it would be inappropriate to deal with the complaint.

Strike threat as council workers reject pay offer

BY DAVID BRINDLE, LABOUR STAFF

UNION LEADERS last night warned of the possibility of industrial action after the breakdown of pay talks for 900,000 local government manual workers in England and Wales.

The breakdown came after the unions rejected a "final" pay offer of £3.70 a week for all grades, worth about 4.75 per cent on the wage bill, and after the employers refused to concede a change in the settlement date.

Mr John Edmonds, secretary of the union side of the negotiating body, said: "We are now moving into some sort of conflict."

The TUC has been preparing a major push on public sector pay and has been attempting to co-ordinate claims and campaigns in a number of areas. However, the predominant view has been that the crunch would come next winter, not this.

The unexpected hiatus in negotiations for the manual workers—a development believed by the unions to be due to "political interference"—and the probability of disruptive action by teachers, whose pay talks resume on Monday, raises the prospect of earlier confrontation on a broad front.

Yesterday's negotiations for the manual workers opened with an offer of 4.5 per cent on the table. The employers made a slight improvement on pay but refused to agree to a change in the settlement date of November 4, despite indications at previous talks that they would be willing to discuss this.

The unions have put emphasis on a change in the date because they want to get away from the front of the pay queue where, they say, they are unable to make any progress on the problem of low pay.

After the improved offer was

rejected, Mr Peter Hennessy, the employers' chairman, said: "The sort of money which would have reached a settlement would have led to the destruction of large parts of the service and to large-scale redundancies."

The union officials declared the negotiations at an end and said they would be reporting back in the next three weeks to their executives when industrial action would be "undoubtedly" discussed.

The unions believe the Government has stepped in to prevent a change in the settlement date because it would leave pay talks in the Civil Service and the National Health Service at the head of the parade.

The employers earlier offered 5 per cent and a change in the settlement date to local authority building craftsmen and labourers.

Pay rates for the manual workers, range from £70.20 to £85.25 for 39 hours.

Equities beat gilts for long-term investors

BY CLIVE WOLMAN

TOTAL returns on UK equities since 1945 have been 17 times greater than those on long-dated government securities over the same period after inflation adjustment, according to a study by de Zoete and Bevan, the stockbrokers.

Over the 50 years to December 31 the real (inflation-adjusted) return on long-gilt-edged government securities has been -2 per cent a year for the non-taxpayer, the study shows. For the basic rate taxpayer the return has been -1.3 per cent.

Comparisons of the long-term returns on gilts and equities are of particular interest to pension fund trustees and investment managers when deciding how to allocate their funds between different types of assets. The de Zoete & Bevan study has analysed a long run of historical data than any other comparison, its calculations of returns go back to 1918.

Gilts were a highly profitable



investment from 1921 to 1933, when the price level was actually falling steadily. Since then, the study concludes, gilts "have given appalling returns."

The average real return on equities over the past 50 years has been 4.6 per cent a year for the non-taxpayer or 2.7 per cent a year for the basic rate taxpayer. Over the past 10 years, since the end of the 1973-74 bear market, the average real return has been 17.6 per cent and 15.6 per cent a year respectively.

The study shows that over any 10-year period since 1918 which does not span the 1973-74 bear market, investors would have made positive real returns from equities.

The figures also show that UK share prices fell on average by 33 per cent in real terms in 1929-30 after the Wall Street crash but by more than 75 per cent in real terms in 1972-74.

Equity returns were calculated using a specially constructed index of shares from 1919 to 1982 and from then on using the FT-Actuaries All Share Index.

Jewellery trade shows signs of recovery

By James McDonald

THE JEWELLERY trade is showing signs of emerging from its three-year recession. Last year jewellers submitted considerably more goldware, 10 times as many numbers and weight, for hallmarking to the four British Assay Offices in London, Sheffield, Birmingham and Edinburgh, than in 1983.

The number of gold items sent for hallmarking was 1.6 per cent more than in 1983 at 16m items. In terms of weight, the volume was 15.5 per cent greater at a total of more than 44m grams. Silver items sent for hallmarking by the trade last year totalled just over 3m—2.3 per cent more than in 1983—and the weight rose by 7.2 per cent to 38.49 kg.

The comparatively small amount of platinum items hallmarked, at 10,700 items, was 39.2 per cent less than in 1983. The amount of foreign gold and silver submitted in the Assay Offices also increased. Gold items, totalling more than 4.5m, were 19 per cent up and the weight increased by 23 per cent. Silver items, amounting to nearly 300,000, were up by 8.9 per cent and, in terms of weight, by 14.3 per cent.

The least expensive gold—9 carat, with only 37.5 per cent gold content and the remainder alloys—continued to account for the biggest proportion of the British jewellery trade's submission for hallmarking. Out of the total of more than 44m grams, 9 carat gold accounted for nearly 30m grams, an increase of 14.6 per cent over the 1983 figure.

The most popular standard for women's jewellery is 9 carat gold, which has long-lasting qualities but a single rate package deal. Their aim is to win a bigger share of advertising from such groups as airlines, banks, brewers and brand-name manufacturers.

The five papers are the Wolverhampton Express and Star plus its sister paper the Shropshire Star, the Coventry Evening Telegraph and the

Porsche sales run dented by strike

BY JOHN GRIFFITHS

LAST YEAR'S strike by West German metal workers ended the seven-year run of record sales reported by Porsche's UK importer.

The fall in sales, from 3,333 in 1983 to 3,114, is also likely to have dented Porsche Cars Great Britain's profitability, particularly given the decline of sterling against the D-mark.

However, accounts filed at the beginning of this year by the importer—owned 80 per cent by Porsche and 40 per cent by Mr John Aldington, its managing director, and associates—show that for the 16-month period ended July 1983, importing the £11,600 to £37,000 sports cars made up one of the most lucrative car-related businesses in UK.

The company made a pre-tax profit of £4.68m on a turnover of £49.9m. In relative terms, this compared badly with Porsche GB's two previous years, when it led the profitability league table of car importers with pre-tax profit-sales ratios of 17.3 and 20.4 per cent. It contrasts with volume-based importers, most of which made losses on much higher turnovers.

The company fared well enough for one director, almost certainly Mr Aldington, to have received director's emoluments for the 16-month period of £91,498, up from £67,000 in the 12-month period ended March 1982. One of the other six directors, who include Dr Ferdinand Porsche, chairman of

Porsche's supervisory board, and Mr Peter Schütz, its management board chairman, was paid between £85,000 and £90,000.

Dr Porsche is shown as having received only £5,667 in emoluments.

A dividend totalling £525,000 was paid, representing 26.35p per share—well down on the £3.75p per share dividend of £87,500 paid out in the previous financial year.

Porsche GB attributed the dividend reduction to "the need to conserve resources" to finance the development of a £2m headquarters and import centre Porsche is building out of side Reading, a few miles from its existing HQ.

Newcomer to join media magazine fray

BY DAVID GOODHART, LABOUR STAFF

THE CRAMPED and competitive market in "media" magazines will have accommodated a newcomer next month—Media Week.

The launch on February 6 comes at a busy time in the sector. Broadcast magazine, for example, has just been sold to International Thomson for £12.5m. UK Press Gazette, the rather sad 7,400-circulation magazine "for journalists and all who work with them," also looks set for another shake-up under its new editor Mr Charles Wintour, a former

editor of the London Evening Standard.

Media Week, which aims to cut across the demarcations between publications covering advertising, marketing, broadcasting and journalism, is the brainchild of Mr Tim Brooks and Mr Ron McKay, both journalists who have specialised in media coverage.

The profitability of established magazines such as Campaign, the 20,000 circulation advertising journal—with annual profit regularly topping £1m—has assured Media Week the

support of trade publisher Patey Doyle.

The plan for Media Week—which will have a "controlled" circulation of 10,000—is to lock on to the £1m-£8m splashout by advertisers each year at the marketing end of the spectrum in magazines such as Marketing, Marketing Weekly and Campaign.

Media Week will be dropping free on to the desks of advertising agencies, PR managers and senior media personnel hoping that their classified advertisements will come flowing back.

Clyde shipyard buy-out scheme in jeopardy

By Andrew Fisher, Shipping Correspondent

SHIPYARD WORKERS at Yarrow Shipbuilders on the Clyde were told yesterday that backing for a proposed employee buy-out would be withdrawn unless more of them agreed to vote on it.

Barclays Merchant Bank, which drew up the buy-out scheme, said the 5,400 workers at the Yarrow warship yard, part of state-owned British Shipbuilders, would have "a further, last chance" to vote on January 29. If they did not show more support, the buy-out offer would cease.

In the first ballot, only 30 per cent voted, mostly in favour. The vote is being sold as part of the Government's plan to return the profitable warship activities of British Shipbuilders to the private sector.

No firm price has been put on Yarrow, which has an order book approaching £300m, but within the industry it is believed it could fetch £30m or more.

Trafalgar House, GEC, and the private Yarrow Company, which owned it before nationalisation, are also interested in buying it.

TGWU opposes challenge to Kinnoch's leadership

BY PHILIP BASSETT, LABOUR CORRESPONDENT

MR RON TODD, general secretary-elect of Britain's largest union, the Transport and General Workers' union, made it clear yesterday that the TGWU would be opposed to any challenge to his leadership of the union.

Some Labour left-wingers are considering whether to contest the party leadership, principally because they are dissatisfied at what they see as Mr Kinnoch's less-than-total support for the striking miners.

Mr Todd said: "We have declared our total support and confidence in Neil Kinnoch as party leader."

Mr Todd said that the unions and the party ought to be talking about the return of a Labour Government. It was "unfortunate" that, whenever that seemed possible, the party seemed to turn in on itself.

Leaders of the union emphasised at a private strategy conference last weekend in Eastbourne that it was essential that as possible in the Labour Party in the coming months. This is because of the requirement which comes into force at the end of March, under Part 3 of the Trade Union Act of 1984, on all unions to hold ballots of their members on a retention of their political funds.

Labour's main source of financial support.

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Journalists accept offer

PROVINCIAL journalists have voted by three to one to accept a 5 per cent pay offer in a national ballot result announced yesterday.

The offer from the Newspaper Society will mean increases of between £5.50 and £7.50 a week for 8,000 publicists on basic rates of £107.50 to £149.50 a week.

The society said, however, that it had "yet to be told of the union's decision. The increase would be paid from the date that the NUJ notified it of acceptance, and not backdated to the settlement date of January 1.

Union chapels (office branches) had earlier voted to reject the offer, but plans for industrial action from the NUJ's provincial newspaper industrial council were turned down by a delegate conference.

David Brindle on the continuing revolt at GCHQ Bitter legacy of a ban on unions

CIVIL SERVANTS at Department of Health and Social Security offices in Liverpool, Bootle and Kirkby walked out at lunchtime yesterday in protest against the ban on unions at Government Communications Headquarters, Cheltenham.

Unemployment benefits halted. They were acting "against the advice of their union, the Civil and Public Services Association, Local Labour MP's addressed a rally in Liverpool city centre. Mr Terry Fields, left-wing MP for Liverpool Broadgreen, accused the TUC of failing to do anything either for the staff at GCHQ or for the miners.

which presents the Government with its greatest problem, because it could yet spark off industrial action in the civil service and beyond.

The TUC is pledged to act immediately on behalf of any GCHQ trade unionist who is dismissed. The issue is particularly close to the heart of Mr Norman Willis, the general secretary of the TUC, who this week repeated that the union ban remained "an open wound."

Consequently, the GCHQ management has maintained a low-key approach to the militant trade unionists, endeavouring to persuade them to take early retirement or transfer to other parts of the civil service.

The management's hope is that the revolt will thus wither away. Its difficulty is that the hard core campaigners have become more radical over the past 12 months and more determined to force a confrontation.

Writing in the latest issue of Warning Signal, the GCHQ's newsletter, Mr Don Clarke describes how he hasaban-

done plans to get another job in the civil service, a theme in the side of the GCHQ management.

Mr Clarke, a computer programmer, said: "I suppose this means that they will not offer me a transfer which I will ignore, then another which I will ignore and then the sack."

I started off in this campaign intending to give what assistance I could before I left. Now I see it as too important to leave my determination grow daily."

Doubtless to the great annoyance of the management and the Government, Mr Clarke and his colleagues and sympathisers continue to keep up a stream of publicity about events at GCHQ.

This week it was disclosed that the proposed government-inspired SNG association had been endorsed in a referendum by only 38 per cent of GCHQ staff. The next day it was reported that staff were being asked to comment on issues such as the Government's economic policy during their five-yearly positive vetting reviews.

Further publicity will be generated in June when the conference of the International Labour Organisation is due to consider the Government's response to criticism of the GCHQ ban.

Mr John Van der Venne, general secretary of the International Confederation of Free Trade Unions, told the London rally on Thursday that he had every confidence that the ILO would uphold the view of its committee of freedom of association and that the ban violated the ILO convention.

Such criticism may not be much use with Mr Thatcher, but it will generate yet more headlines for what was, until January, 29th last year, an anonymous government department.

Scheme set up to treat NHS patients in private hospitals

BY CARLA RAPOPORT

NATIONAL Health Service patients are being treated in private hospitals in the north of England as part of a partnership between the public and private health care sectors. It is believed to be one of the first of its kind in Britain.

The scheme, in effect in Newcastle and Stockton, is expected to reduce markedly the waiting lists for hip replacement surgery for elderly patients and ear, nose and throat surgery for children in those areas. At present, patients wait an average of two to three years for these operations.

The partnership between local health authorities and the

private sector was initiated by Nuffield Hospitals, Britain's largest private hospital chain. According to Mrs Shirley MacWhirter, regional manager, Nuffield has given "advantageous prices" to the health authorities in exchange for a contracted number of operations.

A few other hospital companies, including AMI and HCA, have also begun to take NHS patients, but not to the same extent as Nuffield.

Mr Oliver Rowell, general manager of Nuffield, said yesterday: "The possibility of working partnerships between the NHS and private health care

stems from the over-provision of private hospitals in Britain. With over-bedding, working with the NHS is not only a way to survive, it is also a good way to ease the NHS waiting lists."

The number of private hospital beds in the UK has risen by an average of about 17 per cent a year since 1982. At the same time, the number of new subscribers to private health insurance schemes has been growing by only about 3 per cent a year.

The growth of the new partnerships, however, is hampered by the political considerations of some health authorities.

Mrs MacWhirter said that

Nuffield is negotiating with two further district health authorities which are keen to start similar schemes but have been held back because of feared repercussions over the use of private hospitals for NHS patients.

In the Newcastle and Stockton schemes, negotiated with the Northumberland and Northallerton Health Authorities, the NHS consultants carrying out operations in the Nuffield hospitals converted their private fees into donations to charity or equipment for their NHS hospitals.

"These are worthwhile operations," said Mrs MacWhirter, "as patients needing

hip replacements are in considerable pain."

Emergency operations prevent surgeons in the Newcastle area from carrying out more than two or three operations a week. Under the scheme with the Nuffield, 16 further operations have been carried out since October and 50 more patients will be operated on this year.

The Stockton scheme is specifically for children's ear, nose and throat surgery. These operations, done at the Cleveland Nuffield, treat six children a week. Under the terms of the contract, the child's mother is offered free accommodation following the surgery.

THE WEEK IN THE MARKETS

Riding out this roller coaster

LONDON
ONLOOKER

THE EQUITY market is in the mood to greet virtually any corporate development as an excuse to push up the share price. Acquisitions, such as P & O's takeover of Sterling, are welcomed with unbounded enthusiasm, no matter what the fundamentals seem to suggest. And there was plenty of evidence around this week that the euphoric attitude still abounds.

Bunzl's rights issue, for example, prompted a sharp upward movement in the price even though the group has not indicated the company intends to acquire with the money raised. Bunzl may well be a well run company but in more cautionary times a rights issue is not normally the catalyst for an upward re-rating of the shares. Even more bizarre is the sight of a deeply discounted rights issue from an investment trust, New Tokyo, which is happily welcomed by a rise in the share price.

Yet the general frothiness of the market is betrayed in the whole-jerk way the market as a whole reacts to news or even rumour on the oil price and interest fronts. After a 26.7 point rise in the FTSE Index on Monday the market fell back by 22 points the following day amid rumours that Opec was about to raise the price of oil, despite official denials.

It is beginning to look as if the equity market is in the midst of a major bull run. There are plenty of arguments around to underpin current prices. It is true. The liquidity of the institutions suggests that prices will continue to be fed by fund managers' buying. The weak pound is good news for exporters and so on, although prices seem to be rising fairly indiscriminately. And buying from the U.S. is thought to be a supporting factor.

Yet, as one analyst put this week, "the market is no longer working on thin ice, it is working on water." Looking at interest rates and the gilt market, he could take another upward movement in interest rates, and equities might find that gravity is a very real factor. At one point in the week the money market was pointing the way to another base rate increase. Rates have calmed down but

Dee's move next

The Monopolies Commission has given Dee Corporation the go-ahead to renew its bid for Booker McConnell. For investors the important questions now are "Is Dee still interested?" and second "If so, will Dee bid now or wait till the summer?"

The answer to the first question seems in little doubt. Dee is still attracted to Booker. The second point, one of timing, is less easy to read. Under the rules of the Takeover Code, Dee has three weeks from the report to renew its attack, otherwise it has to allow the full 12 months cooling off period to pass, which means no action until June.

Mr Alec Monk, chairman of Dee, has a range of choices assuming his goal is ownership of Dee. He can do nothing and wait till the summer, when timing becomes of his own choosing. He could top up his existing stake from 19.8 per cent to 29.9 per cent now and then wait to the summer or he can launch a full offer in the next couple of weeks.

Dee could, of course, sell out to a third party. It does not take long to draw up a short list of companies that would be interested in launching an offer for Booker and Dee's stake could provide a suitable springboard for a bid. But it does not seem within the nature of Dee to withdraw now.

Edging up Dee's holding in Booker to 29.9 per cent also seems an unlikely tactic. It would flag Dee's intentions too well—there must still be an element of doubt at present. So the decision probably facing Mr Monk is simply to bid now or play a waiting game.

Booker, on the other hand, has undoubtedly done much to sharpen up its image both in terms of management and group structure, since Dee's initial attack last summer. Yet there is still a lot to do and Dee's advisers might well argue that giving Booker more time to convince investors of its merits is not going to help in a bid.

Also a bid now might scupper any worldwide profits forecasts Booker could make. Analysts generally agree it made profits of around £33m pre-tax in 1984—that figure is already in the price—and any predictions Booker could make now for 1985 are bound to be treated with a certain amount of caution. In the summer Booker would be better placed to make meaningful forecasts.

It is a conundrum that Mr Monk and his team faces. Events over the next couple of weeks are impossible to predict but the weight of argument seems to suggest that Dee has little to gain by waiting unless, that is, the management still has its hands full integrating International into Gateway.

Paper for paper

There are reasons for Bunzl's one for four rights issue to raise £54.6m are crystal clear. It wants the money to fund a significant acquisition, probably in its expanding paper distribution activities—but maybe not.

Mr James White, who as managing director has masterminded Bunzl's transformation from supplier of filters to the tobacco industry into a much wider based paper group with highly profitable distribution activities both sides of the Atlantic, is almost a model of a canny Scot. He appeared to drop lots of hints as to where the group might expand next in the broadest of terms but in fact left himself with 360 degrees of room to manoeuvre.

In the last five years Bunzl has spent £37m on acquisitions. This has been financed by cash

flow and a string of disposals from its peripheral activities with a modest amount of debt.

After this issue—which is backed by a profits forecast of a 55 per cent advance to £27m pre-tax—Bunzl will be sitting on £20m of cash and basking in a share price which appears to have heralded the rights issue as a masterstroke having risen by a tenth since the announcement on Monday.

But what will it buy? There is plenty of scope to broaden its coverage in the U.S. and equally there are opportunities to extend its activities in UK paper and packaging. And Mr White has also hinted that some modest diversification would not come amiss—that could keep the managements of Brunner and Metal Closures (where Bunzl has a 50 per cent stake) watching their share price. The guessing game is almost as unattractive as predicting Dee's next move.

Mercantile House

The immediate reaction to Mercantile House's half time figures this week was one of relief. At the pre-tax level the group was down by £3m to £27.5m but the market had feared that the results might be much worse marking Mercantile's first major setback since going public.

The City has been watching some very poor quarterly results from Oppenheimer, the group's U.S. stockbroking subsidiary, and there was little doubt that its performance would leave a very large gap for the rest of the group to make good.

Anyway that the slip in overall group profits was held to just £3m is no mean achievement. The U.S. money broking activities and fixed interest securities broking operations both probably clipped in higher profits, partially offsetting Oppenheimer's performance. In the UK the money broking operations should have made a reasonable profit overall, though the total group performance is clouded by acquisitions of Alexanders, Jessel Toynbee & Gillett and to a lesser extent a stake in stockbrokers Laing & Cruickshank.

Mercantile's money broking activities are undoubtedly volatile—that is the nature of the beast—and the latest interest rate jumps have undoubtedly undermined Alexanders' performance perhaps dropping it into the red. Nevertheless even with a continued dull performance from Oppenheimer, Mercantile should be able to report profits for the full year around the £55m to £57m level, basically an unchanged performance.

That would be good enough to satisfy the market. The share price may look a shade expensive on fundamental grounds, the prospective p/e is around 9 or 10, but bid speculation has been waiting around the market of late. One rumour had Mercantile and Merrill Lynch in talks but that seems an unlikely combination.

Terry Garrett

MARKET HIGHLIGHTS OF THE WEEK				
	Price 7 days	Change on week	1984/5 High	1984/5 Low
FT-100 Index	1002.8	-1.6	1024.5	755.3
FT-100 Gold Index	439.5	-26.8	711.7	439.5
Exch. 12pc 2013-17	£114	-1	£124	£108
BP	517	+29	540	395
Coors	527	+39	527	232
Falcon Resources	320	+47	324	85
Fin. Nat. Fin. Corp.	90	+8	90	62
ICI	628	+42	628	526
Lonrho	180	+15	181	105
Lucas Inds.	283	+25	284	158
Metal Box	432	+50	432	287
Milford Docks	48	+13	72	28
Mitsubishi	690	+90	792	480
Neill (James)	137	-20	140	42
Pearson	430	+42	430	285
Plessey	190	-8	248	184
Rascal Elect.	272	-76	288	192
Rascom Sims	490	+63	490	240
S.E.E.T.	170	+14	174	85
United Ceramic	57	+14	57	38

Slow growth for great oaks

THE CITY'S fears about the future of the home computer market finally got to Acorn Computers. The company called a press conference to rebut alarmist reports about its retail market performance in the weeks before Christmas, the season when most home computer sales are made.

What Acorn had to say on Tuesday was just about enough to stop the shares falling further below the all-time low of 48p they hit on Monday.

But the company left investors less than convinced about its prospects—by the end of the week the shares were at 47p, a far cry from last year's peak of 180p. And the City's general concern about Acorn can only increase the caution with which it has come to treat many of its one-time darlings among the computer stocks on the Unlisted Securities Market.

Acorn dispelled the worst fears about its 1984 performance by saying that it had sold 420,000 computers last year—more than double the number for 1983.

But it underlined the market's worries about the future by announcing a price cut of 57p to 51p in its cheaper and newer model, the Electron. The price of the more established BBC Micro was left unchanged at £299, but Acorn announced a 25p trade-in reduction for buyers bringing in an old home computer.

These moves are the latest in a price war which has broken out in the UK home computer industry in response to fears

Unlisted Securities Market

that demand will fall, as it has in the U.S., and that foreign competition will get tougher. On Monday, one of Acorn's main British rivals, Sinclair Research, also announced price reductions.

Acorn's main advantage in the forthcoming battle is its strong hold on the educational market through the BBC micro. Only one-third of Acorn computers are sold to domestic buyers—the rest is divided equally between schools and colleges, and business and industry.

However, the company suffers from a reputation, in the City at least, for poor marketing. This stemmed initially from Acorn's abortive attempt to break into the U.S. which cost £11m over the past two years, and was compounded by the apparent failure of the Electron computer to repeat the success of the more expensive BBC Micro.

Mr James Dodd, of stockbrokers Fielding Newton-Smith, says: "Acorn has marvellous technical skills and a very good range of products, but unfortunately it has come unstuck over marketing."

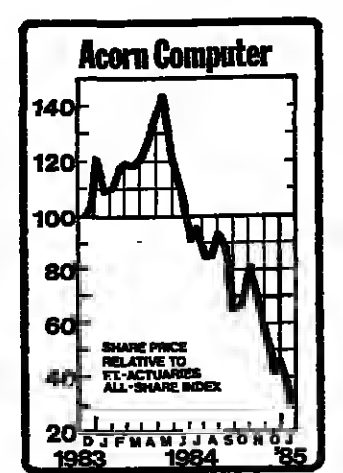
The need for strong marketing is emphasised by the fact that Acorn has plans to attack the equally competitive markets for personal and business computers later this year, and subsequently to bring out a replacement for the BBC Micro.

Clearly 1985 will not be an easy year for Acorn: City analysts who had been predicting pre-tax profits of up to £12m for the financial year to the end of June have brought back forecasts sharply to between £4m and £8m—a wide range which reflects the market's uncertainty.

The market's general disenchantment with IBM computer companies has become more marked in the past two months. A Fielding Newton-Smith index of the performance of all these stocks since their flotations had underperformed the FT Actuaries All-Share index by 2 per cent in November. By earlier this month it was 6 per cent.

But these figures conceal glaring differences between software, hardware and distribution companies. By this month software companies had outperformed the all-share by 91 per cent, while hardware companies had underperformed by 55 per cent and distributors by 33 per cent.

One company which has performed particularly badly over the past month is Microvitec, the Bradford maker of colour screens for home computers. Floated last May at 180p, the company traded this week close to its all-time low of 73p amid



fears of the impact of tough competition on results for the year to December which are due in the next few weeks.

The divergence between the market's taste for different types of USM computer should come as no surprise since it only mirrors a divergence, or an expected divergence, of the trading performance of these stocks in increasingly competitive conditions.

There is meanwhile no shortage of companies willing to test investors' appetites for the sector. On Monday dealing begins in Synapse, a company which provides software maintenance and systems support for IBM mainframe computers. Placed at 174p by Simon and Coates, the shares start life on a multiple of 22.8 based on a 41.5 per cent tax charge and pre-tax profits forecast of £450,000 for the year to next July.

Stefen Wazsavl

All eyes on the Super Bowl indicator

NEW YORK
WILLIAM HALL

WALL STREET has enjoyed a winning streak over the past fortnight the like of which only the more seasoned professionals can remember. Shares rose across the board for most of the week and the bond markets have soared.

The week started with a bang. Although some financial markets were closed on Monday, in commemoration of Martin Luther King's birthday, the Dow Jones industrial average jumped by 34 points and the New York Stock Exchange notched up its eighth busiest day on record with turnover topping 145m shares.

Several of the broader-based stock market indicators, which had been signalling the market's underlying momentum the previous week, hit record peaks even though the Dow Jones industrial average was still some way short of its November 1983 peak of 1287.20. The New York Stock Exchange (NYSE) composite index, which is a more accurate measure of daily market activity than the Dow Jones 30 "blue-chip" industrials, since it measures the value of all 1810 common stock issues listed on the exchange, rose 2.08 to a record high of 101.12.

Both the NYSE composite index and the S & P 500 recorded fresh all time highs for the next couple of days of the week against a background of very heavy turnover. Tuesday saw the fourth busiest day on record with 175m shares changing hands, and Thursday

ranked among the ten busiest days on record.

Even though the Dow Jones industrial average edged ground on both of the last two days mentioned analysts have been very impressed by the volume and breadth of the market upswing. One key indicator followed by many market technicians is the number of advancing shares versus the number of declining shares on any one day.

Mr Newton Zinder, a stock market strategist at E. F. Hutton, notes that by Thursday of this week the stock market had risen on 14 consecutive sessions based on this indicator, its best performance since January 1971 when it had a 16-day run. He has looked back to the beginning of the 1980s and can find only seven other occasions when the market rose for 12 consecutive days or longer.

The blue chip stocks have been slow to participate in the New Year rally on Wall Street but this week saw many of the old favourites catching up. IBM, the bluest of blue chips has enjoyed a splendid run in recent days. It started the week at a shade over \$124 and by Thursday evening was trading at \$133 after briefly touching its all-time high of \$134 on Thursday morning.

AT & T, the most widely held stock on Wall Street which had started 1985 at \$19, hit a record high of \$21 on Thursday, and other old favourites like General Motors are showing gains of around \$60 so far this year. Even 3M, the big U.S. conglomerate whose unexciting performance has meant that it underperformed the Dow last year, has enjoyed one of its best rallies

for some time and by mid-week was standing over \$55 higher than its end 1984 price of \$78.

The buoyancy of Wall Street this week has been helped in no small part by the boom in the U.S. credit markets which is being fuelled by the prospect of lower interest rates and increasing evidence that U.S. inflation is under control. In the first four days of the week, the Government long bond, Treasury 11.75 per cent due in 2104, had risen by over three full points driving its yield down to 11.17 per cent.

Short-term interest rates have continued to ease and Thursday's money supply figures showing a \$2.8bn fall in M1 against market expectations of no more than a \$1bn fall, added further fuel to the bond market's rally.

Wall Street's highly paid market watches have been working overtime to explain the stock market's newfound strength. One wall Street pundit which was given a fresh airing this week was the argument that when a team from the National Football Conference (NFL) wins the Super Bowl the stock market will rise over the year.

As anybody who was anybody on Wall Street was watching the San Francisco 49ers, a NFL team, convincingly trounce the Miami Dolphins last Sunday, this was taken to be an even more important omen than President Reagan's inauguration. According to Robert Stovall, senior vice-president of Dean Witter, the Super Bowl indicator of Wall Street's future performance "has been right 18 out of 18." We shall have to see.

Certainly, the stream of

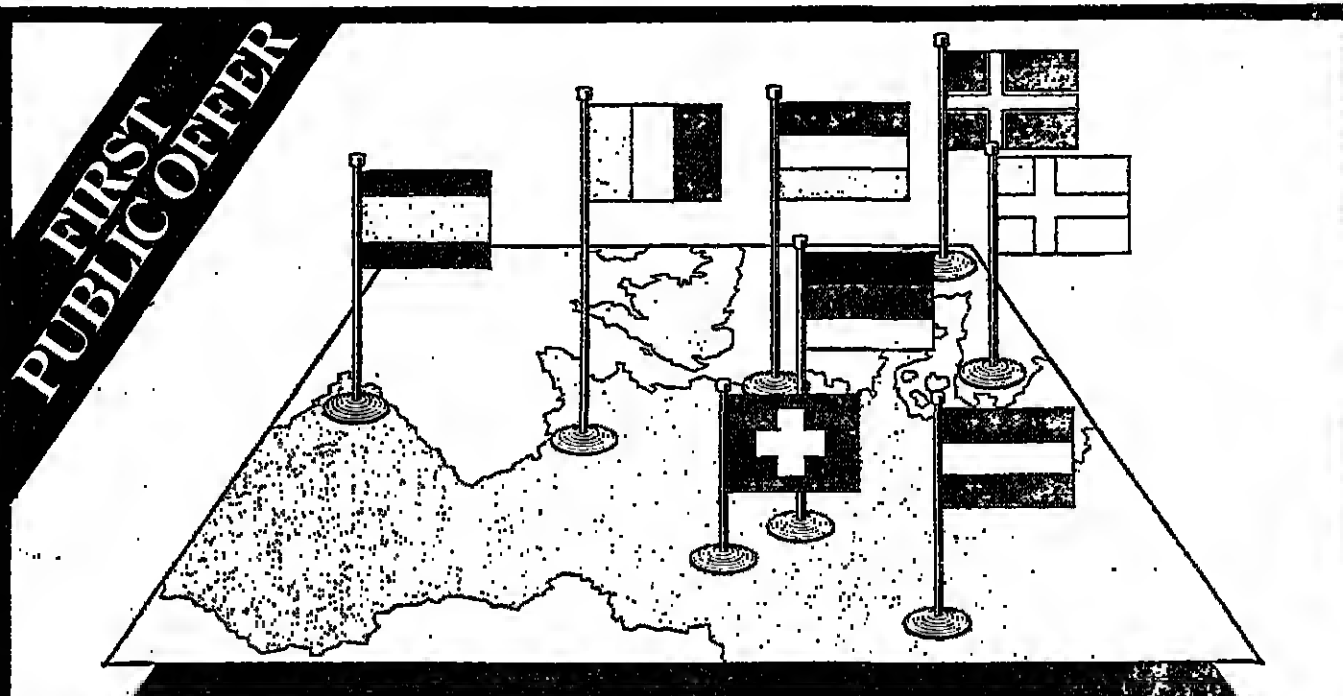
economic news coming out of Washington has contributed to the improved sentiment in the U.S. financial markets. The sharp upwards revision in the fourth quarter GNP figure from 2.5 per cent to 3.9 per cent growth is further evidence that the economy is in a much healthier state than it seemed in the early winter.

The economy grew by 6.8 per cent in 1984—its best performance since 1981—and the rate of inflation, as measured by the GNP deflator, rose by 4.7 per cent, its smallest increase since 1967. Wednesday's December retail prices figures, showing a 4 per cent rise in prices for the year, underlined the fact that U.S. inflation is running well below most analysts' predictions 12 months ago.

The U.S. economic recovery is now in its third year and the stock market is responding to the improved economic prospects while showing less concern that interest rates and inflation will rise in the short term. The optimistic mood has been bolstered by further official comments this week suggesting that interest rates have more room to fall.

A few months ago, several commentators were suggesting that the U.S. could move into recession in 1985, interest rates would rise and inflation take off. Today the most optimistic forecasts on Wall Street suggest that the U.S. economy could grow by 8.5 per cent in 1985, inflation drop to 2 per cent and interest rates move noticeably lower.

MONDAY	1261.37	34.21
TUESDAY	1259.59	-1.77
WEDNESDAY	1274.73	15.23
THURSDAY	1270.43	-4.3
FRIDAY		



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Distributions of income will be paid on 10th December each year, net of basic rate tax. Contract notes will be issued and unit certificates will be provided within two weeks of payment. For full details of the Trust Deed and send it to the managers. Payment will normally be made within seven working days of receipt of the unit certificate.

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Surname (Mr/Mrs/Miss)		First Name(s)	
Address			
Signature(s)		Date	18

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FINANCE AND THE FAMILY

Husband leaves widow one penny

BY OUR LEGAL STAFF

My husband, died last April. In the early years of our marriage he underwent an operation and medical opinion gave him a short time to live. In the subsequent years I nursed him at home, despite inferior living conditions.

His will revealed that I had been left one penny (1p) and the remainder to his wealthy nephew (and wife) — as executors — in hold-on trust — either to retain or sell — on behalf of their two young children — until they reach the age of 18.

I have engaged a solicitor, who initially thought he could secure an agreement as to a portion, but he could make no headway with the other party's solicitor — who did not and has not responded in any way (can anything be done with this attitude?). My original solicitor left the firm and the case was taken over by another member of the firm, who, in turn, has been unable to obtain a reply from the other party's solicitor, even though he was warned that we would commence proceedings (as regards the will) within 14 days.

I am just outside Legal Aid. The estate is about £5,500. My solicitor tells me that counsel's opinion would cost £100 and that proceedings would cost well into the region of £1,000. My accommodation is in sheltered housing — widows pension £34.25 which just covers rent and rates. From savings I receive approximately £11-12 a week.

Am I entitled, therefore, to a fair share of my husband's estate? We think that your proper course is to make an application under the Inheritance (Provision for Family and Dependents) Act 1975, for a lump sum payment to be made to you. This can probably be done in the County Court at less cost than has been suggested for High Court proceedings. It should not be necessary to obtain counsel's opinion at this stage. It is not clear that you would be wholly ineligible for legal aid, but in any case you should have a very strong case for having your legal costs paid out of your husband's estate. Ask your solicitor to act speedily to present a claim under the 1975 Act.

Caring for parents

My mother is in a wheelchair and receives attendance allowance and mobility allowance. In 1983 my father suffered a heart attack and it was obvious they would need to move from their three-bedroomed semi into purpose built accommodation.

I obtained planning permission for a small bungalow in my front garden for them. As the bank would not lend my parents any money as they were both over retirement age I had to take out a bridging loan on which 17.96 interest was charged.

Is there any way I might claim tax relief on this interest? On the bare facts outlined, the bungalow apparently belongs to you and the interest is eligible for tax relief under paragraph 4 (1) (a) of schedule 1 to the Finance Act 1974.

You should ask your tax inspector for a copy of the free explanatory booklet IR11 (Tax treatment of interest paid).

Re-entry into UK

My sister-in-law has been working in the U.S. for 20 years and is being offered early retirement on pretty good terms — a lump sum of £12,000 and a pension at 55 of \$4,000 pa. Being 50 years of age it would be her wish to return to England and settle here again. (She is still a British citizen although she has lived in the U.S. for 25 years all told.)

Would any of the amounts quoted above be liable for UK income tax? She intends to find work in the UK and buy a home.

It looks as though your sister-in-law is (or will be) domiciled in England and Wales. That being so, her pension should be exempt from U.S. tax (when she becomes resident in the UK) by virtue of article 18(1) of the U.S.-UK double taxation convention of December 31 1975. Ninety per cent of the pension will be taxable in the UK by virtue of section 22(1) of the Finance Act 1973. The UK assessment for the third year, ie the year in which her 57th birthday falls (provided that the first instalment of the pension does not fall due on April 6), will be based upon the preceding year's sterling equivalent of the actual sterling equivalent whichever your sister-in-law prefers; subsequent years' assessment will each be based upon the preceding year's sterling equivalent. You will find general guidance in two free booklets, 1980 (Residents and non-residents: liability to tax in the UK) and 1975 (Taxation of foreign earnings and foreign pensions), which are obtainable from your local tax inspector's office.

Trust income

My wife is the sole recipient of income from a non-discretionary trust fund. The income comes direct to her from the investments through arrangement made by the trustees to simplify the payment procedure. The charge fees for administration and pay accountants fees. Each year my wife has to pay back to the trustees several hundred pounds to cover these fees.

All income is taxed at source. This means that, in the end, my wife is being taxed on income she does not receive i.e. the money to cover the fees. My inspector of taxes has turned down a request for a reassessment and repayment. He says the trust management expenses do not concern him. Is he correct? If so, are there grounds for the trustees to claim a refund for the trust for these expenses? To do so would it be necessary for them to change the payment procedure?

Joint tenancy

What is the legal difference between a "tenancy in common" and a "joint tenancy?"

In 1949 my wife and I bought the house in which we live but the conveyance was made out in my name — for convenience. I have since been given to understand that it should have been registered in our joint names — as "tenants in common."

In 1970 we sold a part of the garden for building and the solicitor recorded it as being owned jointly, claiming £10,000 each under the provision of the Development Land Tax Act exemption.

MINING

After the South Pacific sabotage...

BY IAN HARGREAVES

AS BRITAIN'S coal strike enters its final phase, the mining world's attention this week was fixed upon equally dramatic events in the nickel mines of New Caledonia and the copper mines of the United States.

In the troubled French territory of New Caledonia, saboteurs struck at the Kouma mine, the island's largest mine, disabling vital equipment. Since New Caledonia accounts for over 8 per cent of world production, the news was good for the nickel price, which a number of analysts continue to argue is poised for a significant rise in response to tight stocks.

In practice, however, sabotage in the South Pacific is not likely to save the nickel industry. Inco, the large Canadian producer, has already indicated that it will make up for any lost New Caledonian production. There is no shortage of spare capacity in the industry to do just that.

Debate over the nickel price continued at a heated level in Perth, however, where minority shareholders in Selstrut Holdings threw out a reorganisation plan for Selstrut sponsored by its majority shareholder, British Petroleum. At the heart of the row over Selstrut's real value is a difference of view over the worth of the West Australian Agnew nickel mine.

Although BP and the Selstrut board are now saying Selstrut will be liquidated, it is evident that a good deal of bargaining is still taking place behind the scenes. BP clearly does not want to hold a distress sale and there is talk that it may yet find a way either of reviving its reorganisation plan through the liquidator or buying out the minority shareholders post-liquidation.

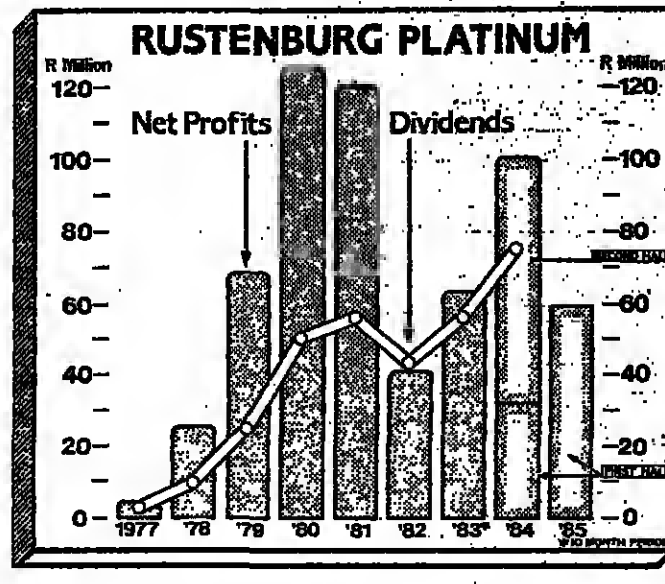
Matters have been complicated by the intervention of the West Australian government, which wants to save Selstrut, especially its nickel and iron ore interests. The problem is that the government will want a stake in precisely those bits of Selstrut (the West Australian hits) BP intended to keep for itself in the reorganisation. But the oil company's bluff about liquidation has been called and it will now have to reach an understanding with the politicians as well as Selstrut's institutional shareholders.

In the U.S., the base metal mining unions are in as weak a position as Britain's coal miners to resist radical management demands. Talks between the United Steelworkers' Union and the copper companies this week revolved around whether to accept a \$2.50 an hour pay cut or an even steeper \$6 an hour reduction. The union eventually agreed to the \$2.50 option, only to find that several big producers, including Kennecott, part of Standard Oil of Ohio, were holding out for \$6.

The need for a further reduction in world copper capacity was evident in the results of MIM Holdings, the Australian copper producer. The company reported a \$28.5m first-half loss.

Likewise at Phelps Dodge, the hardest pressed of the U.S. copper companies, the news continues to be bleak. Phelps is to take a \$185m pre-tax charge against the 1984 fourth quarter. The closure of the company's battered Western Nuclear uranium company accounts for \$85m of the problem, but Phelps Dodge seems to have an endless supply of troubles.

Among the few pieces of distinctly good news this week was the first-half report from Rustenburg Platinum in South Africa which, as the chart shows, is enjoying rising profits and has boosted the dividend. It also talks confidently of the outlook, although the fundamentals for platinum are not good. This year is expected to be the sixth in succession of excess supply over demand.



Most of the joy at Rustenburg, one of the big two in platinum, relates to the weakness of the rand against the dollar — the same factor which has kept the South African gold results bright.

● The Rio Tinto-Zinc group's attempt to acquire a sizeable stake in Enterprise Oil may have been foiled by some swift footwork on the part of the UK Government, but the group's search for UK income is still on: on, writes George Milling-Stevens.

RTZ's purchase last November of Charter Consolidated's 80 per cent stake in Wheelcroft Holdings for some £85m plus a loan repayment of £980,000, greatly increased the group's stake in the West Country. RTZ has moved swiftly to help Crofty's present and future profitability. About 160 men have accepted voluntarily redundancy from the mine, cutting the total workforce by 25 per cent.

In addition a senior executive of Charter Consolidated, the subsidiary which controls all the Cornish tin interests, yesterday outlined to the remaining workers plans to increase productivity to bring it more into line with RTZ's existing Wheel. Jane mine, where output per man shift is double that at Crofty.

Beyond that, the group has secured planning permission for a three-mile-long inclined shaft which will improve access to the mine, hasten the pace of production, underground and avoid costly repairs to a damaged vertical shaft. The swiftness of the proposal's passage through the county planning machinery will have been assisted by RTZ's claim that the work should make for between 50 and 100 permanent new jobs within three years, while the contractors who are responsible for construction will also be using local labour.

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- * BID 3: Road construction and substructure approx. US\$16,000,000
- * BID 4: Public and para-public buildings Open
- * BID 5: Ship yard and dry dock approx. US\$17,500,000
- * BID 6: Real estate development regarding 4,450 villas of seven different types, to be carried out in two phases covering five years approx. US\$75,000,000
- * BID 7: Road construction and substructure (water, electricity system, etc.) approx. US\$16,000,000
- * BID 8: Public and para-public buildings Open
- * BID 9: Extension and new fitting out of an existing hotel approx. US\$22,000,000
- * BID 10: Offices building approx. US\$15,000,000

The consultant and engineering management company for the project, delegated by U.O.C. Bosco and Erida Corporation, is the "Civil Construction Management Company—Europe" (in abbreviation: Cicomaco Europe S.C.).

155, Avenue Moliere B-2060 Brussels.

The interested contractors can get the documents regarding preliminary invitation to tender against payment of US\$1,000 (one thousand) for each bid, to Cicomaco Europe, bank account No. 655-5034980-20, CNL Bank Brussels, maintaining No(s), of the selected bid(s).

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JPJ, in 1983

YOUR SAVINGS AND INVESTMENTS

David Lascelles on home banking Small screen view of personal finance

IS HOME BANKING the wave of the future, or just a fad for computer buff? After Bank of Scotland's move into the market this week—the first by a UK bank—the idea of doing your banking on television in the comfort of your living room, has probably gained a bit more credibility, though other banks still have doubts.

Previously there was only the Nottingham Building Society's pioneering Homelink venture, launched two years ago. No one has been able to judge its success because NBS has played its cards close to its chest.

Abroad, several countries have home banking experiments, but none could be described as a huge success.

BoS thinks it is on to a good thing, though. Mr Bruce Patullo, chief executive, presided at this week's launching ceremony that "most of us will be doing the majority of our banking this way within 10 years."

The start-up costs, however, are considerable. To use BoS's Home Banking service you need a Prestel terminal, which BoS will sell to you for £95 or a modified home computer, which plugs into BT's Asterix sockets, and a link to your TV set. You must also subscribe to Prestel, which costs £20 a year (though you get the whole Prestel service for that), and BoS charges you £2.50 a month (but levies no other bank charges so long as your account is in credit). In addition, you pay for a long call whenever you dial up the service, plus 5p a minute if you use Prestel in business hours.

For that you will be able to see the last 100 entries on your bank statements any time you like, pay regular household bills like utilities and credit cards, "on screen," check on standing orders, and swap money around, from your current account, to a special interest-bearing account set up for home-bankers.

Small businesses will also be able to use the service as a kind of electronic cash management system, though there is a limit of £25,000 on transactions.

The service's appeal is its convenience, the fact that you can instruct the bank to make payments up to 30 days in advance (no worry about getting the payment in on time), and the freedom to juggle funds around, and keep non-interest-earning balances to a minimum.

which might help recoup some of the cost.

Home banking does not do two of the most basic things in banking: pay cheques or provide cash, so it is not a substitute for your local branch.

Judging by this week's demonstration (which was not flawless), home banking can also be a laborious business of entering long security numbers, picking your way through a maze of "menus" and "frames" till you get the service you want, and even then risking encountering an unco-operative computer.

BoS's service is broadly similar to NBS's, which also works through Prestel, in some ways it is not at all good. It is only "up" 17 hours a day, while NBS customers can do their banking at 3.00 am if they wish. NBS also has more security checks which might comfort those who are nervous about computer crooks.

Being a bank, however, BoS can plug more banking services directly into its account than NBS, like cheque books and credit cards (though NBS has a special arrangement with BoS for its customers to have these facilities there).

Home banking is still only at the experimental stage. The technology is bound to get slicker and faster, and other banks are watching with keen interest.

Of the big clearing banks, Midland is running a private pilot scheme which has about 1,000 subscribers. It says much of them appear to be computer enthusiasts, or people connected with electronic technology. The 18-month-old scheme is due to end next September. Then Midland will have to decide where to go next.

Abroad, the U.S. has taken the biggest strides. Chemical Bank in New York has 10,000 subscribers, and Bank of America in California has 15,000. Yet in a recent survey of home banking around the world, Banking Technology magazine concluded that "at the beginning of 1985, the future for home banking is far from clear" because of bankers' doubts about the technology and how to share out the costs. The magazine added that banks are in a dilemma because they cannot afford to stand on the sidelines in case home banking takes off and their competitors steal the market.

Building societies bonus

Margaret Hughes checks out rates of return available to investors

THE SPED with which building societies agreed to increase their interest rates following the rise in bank base rates has provided a bonus for investors. Many societies wanted to delay the decision. If their views had prevailed investors would have had to wait another month for a higher return on their savings.

As it is, only the major societies and less than a dozen of the others have so far announced their new rates. It is therefore a little early for investors to be able to select the best product on offer. Some may also want to put their money into the new National Savings Certificate issue which pays 8.85 per cent free of tax. However, for the majority of savers who prefer to invest in the major societies, the new returns are listed in the accompanying table. Most societies have increased the interest rate on their savings schemes by three-quarters of a percentage point. Some, like the Skipton, have gone for a larger increase. The Skipton has raised the rate on its Sovereign Share Account by 1.05 percentage points on balances of between £500 and £9,999 and by 1.10 percentage points on balances of over £10,000.

As a result, the Skipton offers the best return for those with relatively small amounts to invest but who want instant access, to their accounts without interest penalty. It pays 9.35 per cent net of basic rate tax on balances of up to £10,000 and 9.70 per cent on balances of over £10,000. This compares with a return of 8.75 per cent on balances of up to £500 and 9.0 per cent on balances of over £2,500 from the Leeds Liquid Gold Account.

The Leeds account, however, offers the best return amongst the five major societies.

The other four leading societies pay a net interest of 8.75 per cent on varying minimum balances but require seven days notice of withdrawals. Better return on seven-days notice accounts are available on Peckham Bonus Shares and the three-tiered Bristol and West Triple Bonus Account. Peckham

Society/Account	Notice period	Minimum investment	Rate of interest net of standard rate tax %
Skipton Sovereign Share	nil	500	8.35
Leeds Liquid Gold	nil	10,000	9.70
Bradford & Bingley Premium Access	nil	500	8.75
Chelsea Capital Shares	nil	2,500	9.00
Cheltenham & Gloucester Gold Account	nil	1,000	9.00
Peckham Bonus Shares	7 days	1,000	9.25
Bristol & West Triple Bonus	7 days*	1,000	8.85
		5,000	9.20
		20,000	9.45
Birmingham & Bridgewater Extra Interest Shares	5 days	500	9.00
Hendon	7 days	500	8.75
Nationwide	7 days*	200	8.75
Alliance	7 days†	250	8.75
Abbey Nationals	7 days†	250	8.75
Anglia	7 days†	250	8.75
National & Provincial	7 days*	250	8.75
Halifax	7 days*	500	8.75
Woolwich	7 days*	500	8.75
Bradford & Bingley Extra Interest Account	28 days	500	9.25
Yorkshire Diamond Key Acct.	28 days†	500	9.25
Chelsea Lion's Share	90 days	1,000	9.75
Peckham Super Shares	90 days	500	9.75
Birmingham & Bridgewater 90-day shares	90 days	500	9.50

* Instant access without interest penalty on balances of over £10,000. † Instant access without penalty on balances of over £2,500. ‡ 60 days' loss of interest if funds drawn without notice period. § 7-day notice accounts.

Bonus Shares offer a better return even than larger societies offer on longer withdrawal notice accounts. So too does the Bristol and West on larger balances.

The 9.25 per cent net offered on the Peckham Bonus Shares also matches the best return currently on offer on 28 days notice accounts. These are available from the Yorkshire Building Society and the Bradford & Bingley for the same minimum investment. The Peckham Bonus shares match even the returns offered by the major societies on 90 days' notice accounts.

The major societies pay 9.0 per cent net on 28 days' notice accounts and 9.25 per cent on 90 days' notice accounts.

When other societies announce their new rates there may be better deals. But for the time being at least Peckham Bonus Shares offer the best deal for who do not want instant access and are happy to invest with smaller societies. Investors prepared to lock their money away for three months will do no better with either Chelsea's Lion's Share account, Peckham Super Shares or Birmingham and Bridgewater's 90-day shares.

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Original Investment	Period	Current Value*
£1,000	1 yr	£1,189

* Planned Savings 1st December 1984, offer to offer with net income reinvested.

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Special Bonus Offer at 10p launch price

Until Friday, 1st February, 1985 you can buy units at the launch price of 10p and benefit from a special bonus. The bonus, 1% for amounts of £1,000 to £9,999 and increasing to 2% for investments of £10,000 and above, is given by way of additional units.

An illustration, based on the launch price of 10p per unit, is given below:

Amount Invested and Bonus	Free Extra Units	Total Units
£1,000—1%	101	10,101
£2,500—1%	252	25,252
£10,000—2%	2,040	102,040

Invest now

Please either complete the coupon below or telephone our Unit Trust Dealers direct on 01-638 0478. The minimum investment is £500 and the initial estimated gross yield is 0.1% p.a.

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SHARE EXCHANGE If you wish to exchange in exchange for units, please tick box for details.

Surname (Mr/Ms/Ms/Ms) (BLOCK CAPITALS PLEASE)
First Name (in full)
Address
Postcode
Signature
Date

Please tick box if you are an existing Britannia unitholder. FT 26/1

MORTGAGE RATES			
HALIFAX	13.0%	13.25%	13.5%
ABBAY NATIONAL	13.0%	13.25%	13.5%
NATIONWIDE	12.5%	12.75%	13.0%
LEEDS	13.0%	13.25%	13.5%
WOOLWICH	12.5%	12.75%	13.0%
NATIONAL & PROVINCIAL	13.0%	13.25%	13.5%
ANGLIA	13.0%	13.25%	13.5%

Shop around for home loans

BUILDING SOCIETY officials are feeling sheepish about rushing into higher mortgage rates, particularly since the clearing banks have responded more slowly.

"There was no need for an immediate rise," commented one manager. "We would have looked more grown-up if we had waited for a bit."

But since the rates have risen, borrowers have to count the cost, and look around to see whether their building society or bank is charging them more than the opposition.

The most common increase in mortgage rates has been 1.125 per cent. This brings the basic rate for the Halifax, Britain's largest building society, to 13.0 per cent. The Halifax applies this rate to loans up to £25,000. Payments on a loan of £20,000,

for instance, will rise to £171.20 a month after tax relief.

But it takes the rates of the Nationwide and the Woolwich to only 12.875 per cent. They are the only two large building societies to charge the same interest rate regardless of the size of the mortgage.

There are changes in differentials for different sized borrowers. Abbey National, for example, has adjusted its mortgage terms to make it more attractive at the top end of the market and less so for smaller loans.

Its basic rate of 13.0 per cent applies only to mortgages up to £15,000, with a rate of 13.25 per cent for loans between £15,000 and £25,000. For loans above £30,000, however, it is more competitive than the Halifax, charging 13.75 per cent to the

Halifax's 14.0 per cent.

For smaller mortgages the Yorkshire Building Society has a more attractive rate by only 1 point, so that its basic rate now undercuts the Woolwich and Nationwide at 12.75 per cent.

Yorkshire's average loan is £18,730 compared with the Building Societies Association's average of around £22,000. Its rates, however, move up for loans above £15,000.

Natwest, which has traditionally been the cheapest lender among the banks, this time led the way, raising its rate by 1.125 points to 12.875 per cent. Other banks are looking at their rates and are expected to move them up by the same amount. One exception is Williams and Glyn's, which was slow to move its rates down at the end of last year. It may also delay moving up again.

But monthly repayments to a bank can turn out to be less than to a building society, even if the rate quoted is the same. This is because building societies charge interest for the whole year on the capital sum outstanding at the start of the year.

Most banks calculate interest on the capital balance as it reduces over the course of the year. Building societies will soon, however, have to publish the real annual percentage rate (APR) rather than just nominal rate.

Among the smaller banks in the mortgage market, Edinburgh-based Adam and Co has not yet decided how much to raise its rates, but could offer a good buy for some house-buyers.

Its present rate of 11.5 per cent compares favourably with many competitors, especially as the rate for endowment mortgages is no higher. The drawback is that it will lend only up to 65 per cent of the valuation of the house.

United Bank of Kuwait, which was one of the most competitive lenders at 11.25 per cent, is likely to raise its rate to 13.0 per cent. It lends only on mortgages of over £40,000.

George Graham

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YOUR SAVINGS AND INVESTMENTS

A guide to making conscience money

REVELATIONS by the British Medical Association earlier this month about the tobacco interests of various charities led to a rapid divestment of the offending investments on the stock market.

A "no tobacco" policy is one of the more common criteria for those looking for "ethical" investments. There are several homes for the ethical investor's money in the U.S. — notably the billion-dollar investment trusts such as Pax and Dreyfus. In the UK too the opportunities for ethical investment are growing.

The difficulty is that we all have different ideas to what is ethical: tobacco, armaments manufacturing and South African interests are among the most common exclusions for the ethically minded investor. The Ethical Investment Research and Information Service (EIRIS), set up in 1983 to identify ethical opportunities for investment — gathers together a vast range of criteria under the ethical umbrella.

Apart from the traditional blacklisted stocks, it checks if companies have had complaints against them upheld by the Advertising Standards Authority, or are involved in gambling, or alcohol or meat production.

EIRIS produces factbooks on 524 quoted companies which it has examined. You can purchase the factbooks or select the ethical criteria you are in sympathy with and EIRIS will supply a list of companies that satisfy your criteria. A lot of companies will appear as being Quality

Assessed by the Ministry of Defence but they are by no means all selling guns, bombs and tanks," says Peter Webster of EIRIS. "For example, a company could simply have had a cleaning contract with the Ministry."

One long-established source for ethical investment is The Mercury Provident Society — a licensed deposit taker with a 10-year track record and funds of around £12m.

Money deposited with Mercury is loaned out for socially and ecologically responsible projects, which you are encouraged to take an active interest in. You can often select which enterprise you would like to receive the loan.

Depositors with Mercury receive interest twice yearly at rates which vary according to the purpose to which their money is applied, but subject in any event to a maximum of 5 per cent per annum. Mercury itself charges borrowers 3 per cent over the rate they are paying the particular depositor.

The Friends Provident Stewardship Unit Trust has more or less kept pace with the bull market ever since it was launched in June 1984. Its policy is to invest in shares of UK companies "which are of long term benefit to the community both in this country and overseas."

So far £1.6m has been invested in the trust and its units were up 24.5 per cent as at December 31. The Ecology Building Society provides another home for the ethical investor's money. The society lends money, secured on



property in the normal way, to encourage energy saving or self-sufficiency projects or ecologically efficient ones.

Investors can earn up to 9 per cent on their money and recent loans include one for a commercial goat farm — a developing enterprise in view of the EEC milk quotas which apply only to cows milk.

USEFUL ADDRESSES

EIRIS, 9 Poland St, London W1V 3DG.
Mercury Provident, Forest Row (0432 82) 3922.
Ecology Building Society (0535) 33719.
Friends Provident, Dorking (0306) 885055.
Financial Initiative, 01-836 2998.
Friends Book Centre, Easton Rd, London NW11, stocks "Alternative Investments, Opportunities for Quakers," which lists 15 organisations offering ethical investment.

Lawrence Lever

Joan Gray on a new deal for home improvements

An unlikely white knight

MR PATRICK JENKIN, Secretary for the Environment, may seem an unlikely white knight to be riding to the rescue of elderly home owners who cannot afford to keep their houses in good repair.

But that is just what Mr Jenkin's review of the system of home improvement grants purports to do, emphasising ways of targeting and simplifying grants so that they reach the people and properties most in need. Under the present system, grants go to properties which meet the requirements for aid regardless of the income of their owners.

In the next few weeks, Mr Jenkin will be issuing a Green Paper for consultation containing proposals for legislation.

"I would like to see the home improvements grants focussed increasingly on those who can least afford to pay for repairs and improvements, such as the elderly, disabled and unemployed," he says.

It was never the Government's intention that expenditure on home improvement should continue at the levels of the last two to three years. It is primarily the responsibility of home owners to keep their dwellings in repair and where necessary to finance improvements by borrowing on their properties.

Mr Jenkin's proposals will not affect the allocation of home improvement grants for the rest of this financial year — until March 31 — and it is uncertain whether legislation will be passed in time for them to affect the pattern of grant allocation next year, 1985-86.

He has, however, already

said that he wants councils to take his ideas about targeting grants to the elderly and disadvantaged into account when allocating them now.

His aims seem to be in line with the findings of the Duke of Edinburgh's Inquiry into British Housing published this week. That found that a high proportion of the considerable number of houses in poor condition were in the hands of elderly owner-occupiers and "poorer people from all sections" who could not afford to maintain them.

But the Association of Metropolitan Authorities, which represents 34 London authorities and 42 metropolitan authorities in Merseyside, Greater Manchester, West Midlands, South and West Yorkshire, and Tyne and Wear, disagrees.

According to Mr Ted Cantle, the AMA's under-secretary for housing, Mr Jenkin's proposals will do nothing to help the housing situation and will probably make it worse.

Mr Jenkin announced in Wednesday's Public Expenditure White Paper cuts in the amount of money available for improvement grants next year. The housing investment programme (HIP), which determines how much local authorities can borrow for housing capital spending, including new building and repairs to council property as well as improvement grants, has been cut from £1,853m for England in 1984-85 to £1,600m for 1985-86.

While it is up to each authority to decide how much of its HIP to allocate to each of the areas it has to cover, the AMA points out that Mr Jenkin

is particularly determined to clamp down on improvement grants — and that this will mean an almost endless wait for most of the 200,000 households already in the queue for grants.

According to the AMA's calculations, the Government is really planning an 80 per cent cut in the money available for improvement grants, as it wants to return to a spending level of between £200m and £400m a year on those grants, compared to the £800m spent in 1983-84 and estimated £800m in 1984-85.

According to Mr Cantle, Mr Jenkin's new emphasis on concentrating grants on the elderly and poor with the prospect of special loans or saving schemes for better-off home owners, is not just a means test to help reduce spending, but is also bolting the stable door long after the horse has gone.

"All this mention of the elderly and low-income groups is ironic because most discretionary grants go to those people at the moment," he said. "The evidence is that while 'gentrification' does happen, most grants now go to the worst housing and the poorest people."

Under the present system, there are two main sorts of home improvement grant:

● Mandatory, for installing such basic amenities as bathrooms or inside lavatories, for which authorities are obliged to provide a grant within a few weeks or at most months, and for which there are all keeping a reservoir of funds available; ● and discretionary, for repairs and improvements such



An East London area ripe for grants

as damp coursing or repointing, for which all property up to certain rateable values automatically qualifies, provided there is money available.

Whole cities, such as London, Liverpool, Leeds and Manchester, have now shut their waiting lists for discretionary grants and told applicants to come back in two years when there may be funds available, Mr Cantle says.

And in others, such as Birmingham, where the entire pool of home improvement grants for the next two years has already been allocated, a rationing system is in use. There preference is being given in allocating discretionary grants to pensioners and people on supplementary benefit and low incomes.

Mr Cantle warns that any legislation from Mr Jenkin to enforce the redirection of grants to special groups could

create more problems. The local authorities never intended if some people made a profit by using grants to improve older properties, he says, because "what is important is that the investment in properties improves whole areas, and encourages people to put money into older houses rather than just buying new ones and letting the old areas rot."

The Government may say that better-off people would do an amount of improvement work on their own houses, but in order to get whole areas improved you have to get a lot of investment," he says.

"I can't emphasise too strongly that Mr Jenkin's policy would put back the programme of meeting the needs of the older housing stock by years, and run the risk of many more houses sliding into slum-clearance areas."

The Investment Trust Table

The figures in the columns below are based on information supplied by the companies named, which are members of The Association of Investment Trust Companies. The figures are unaudited.

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FINANCIAL TIMES SURVEY

Saturday January 26 1985

Personal Pensions

Government decisions
will be fundamental
to future development

BY ERIC SHORT



LEFT: Mr Nigel Lawson, Chancellor of the Exchequer. RIGHT: Sir Terence Barrett, Director General of the CBI

The Confederation of British Industry has spearheaded the lobby by life assurance and pensions industries to convince Mr Nigel Lawson, Chancellor of the Exchequer, not to cut tax concessions on pensions in his forthcoming Budget.

THIS YEAR could be a vital turning point for life and pensions business in the UK. And never before has the future success of the country's life assurance industry hinged so much on pending Government action.

This was the message from Mr David Morris, deputy general manager and actuary of Colonial Mutual Life Assurance in his annual review of prospects for the industry. And it sums up the feeling of virtually everyone operating in the pensions field.

Is private pension provision in the UK going to continue through the company pension scheme framework, with the partnership between State and private pensions enduring into the next century?

Or will pensions be privatised and personal pen-

sions become the means of provision for the future, heralding the demise of company schemes?

Alternatively, will there be any private sector pension provision at all?

The Government is taking three major decisions this year that will be fundamental to the future development of pension provision.

● The first, and by far the most important decision, rests with Mr Nigel Lawson, Chancellor of the Exchequer, as he decides what he is going to do about the present favourable tax treatment of pension schemes — corporate and personal — in his forthcoming Budget on March 19.

This question has been preoccupying the minds of everyone in the industry, to the exclusion of almost every other

aspect or event affecting pensions, ever since last year's Budget, when Mr Lawson ended tax relief on life assurance premiums — a concession that had been granted continuously for more than a century.

As last year progressed, speculation grew that the Chancellor, in the pursuit of fiscal neutrality, would turn his attention to pensions. As a result, an intense lobbying campaign is underway to stop any cuts in concessions, spearheaded by the Confederation of British Industry as well as the life and pensions industries.

As the campaign builds to a climax ahead of Budget Day, the Chancellor is being left in no doubt that any moves to impose heavy taxation on pensions will result in killing private pension provision to the UK.

He is being told in no uncertain terms that on one hand employers could not meet the additional pensions cost burden, thus bringing about the demise of company schemes, while on the other, without tax incentives individuals would not save enough to provide an adequate pension, thus ending personal pensions.

Everyone waits for the Chancellor's Budget statement. Until then, some attention can be devoted to the other major decisions that will affect the industry, the first of these being the introduction of personal pensions.

● Mr Norman Fowler, the Social Services Secretary, unveiled his plans last July for a system of personal pensions. These plans when implemented could make a serious impact on company pension schemes

and the political consensus on pensions between the two major political parties.

Such has been the preoccupation with pensions tax, however, that these proposals have received comparatively little attention, a feature that must have brought some relief in Mr Fowler.

The personal pension system he outlined envisages every employee having the right to opt out of his employer's scheme and/or the State earnings-related scheme and make his or her own pension provision.

Although Mr Fowler, in his proposals, emphasises that the scheme has been deliberately devised to sit alongside and not threaten company schemes, there is a great deal of scepticism about the ultimate effect.

The Government has indicated its long-term objective of bringing about a share-owning democracy to go alongside a property-owning democracy. Such an objective would involve individuals having their own personal pension with underlying shares and investments.

Thus the introduction of personal pensions could herald a new era in UK pension provision — an era in which company final salary schemes disappear and the State involvement cut solely to providing an adequate basic flat-rate pension, providing always that Mr Lawson's Budget does not bring about a misserage.

So Mr Fowler's claim that he is determined to ensure that employers' pension schemes continue to play their present vital role is not regarded by

the pensions industry as being at more than a reassuring statement, because he needs the pension industry's expertise to get his scheme off the ground. His proposals were not just a skeleton lacking flesh and muscle. Several vital bones were also missing. As such it is difficult to envisage his scheme working in practice.

Yet Mr Fowler is operating under a very tight timetable. The legislation for the scheme has to be introduced in the next parliamentary session in order that the scheme eventually starts during the lifetime of this Government. But is it not clear that this timetable can be achieved?

To achieve this target, Mr

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How Save & Prosper have revolutionised the pensions world

We devised the Personal Retirement Account and launched it just 15 months ago. In that short time, the unique combination it offers has revolutionised the pensions world for three main reasons:

—It offers maximum possible portability

It's the most portable account possible within existing legislation. Unlike other pension plans, it can be used by the self-employed, company directors, key executives and those in non-pensionable employment. By taking the account from one job to another people avoid pension benefits frozen and paying unnecessary charges on a new plan.

—It offers a fairer pension for all

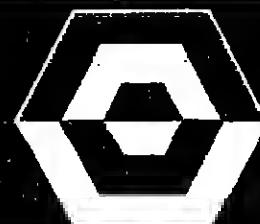
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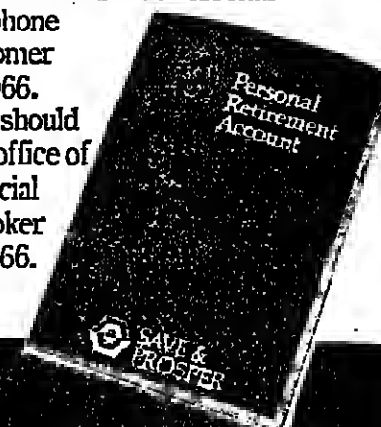
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FT 26/1

Looking to tackle key financing problems

Privatisation

ROBIN PAULEY

PENSIONS is one of the few areas where discussion around the concept of privatisation genuinely means returning choice to the individual rather than turning one sort of corporation into another sort or making a public monopoly into a private one.

The key problem with both the present basic pension and the earnings-related pension is their future financing, especially in view of the certainty that in 30 years the working population will be static in size but the non-working population which will be a proportionately much larger than now and still growing.

This practical problem is added to by the philosophical doubts about the lack of personal choice available in the present systems and about whether it is right to provide higher pensions for the well-off by higher taxation on all, including those who are over 65 and so well off.

This debate has been catalysed by the decision of Mr Norman Fowler, Social Services Secretary, to undertake a review of pensions as part of his inquiries into the welfare state. But there is nothing new about the arguments. The first Hahart Paper published in 1957 by the Institute of Economic Affairs was Pensions in a Free Society in which Arthur Seldon argued that in a free and prosperous society adults should be encouraged to save for the sort of retirement and old age they themselves would like rather than the sort the state thinks they ought to have.

The 100th Hahart Paper last year by Professor Victor Morgan was Choice in Pensions and it makes the same point. An ideal system, he says, must:

- Avoid destitution.
- Allow individuals the greatest

possible freedom to choose the amount of provision they make for old age and how they make it.

● Create conditions in which savings institutions will compete effectively with one another.

To meet the first criterion Professor Morgan argues for a continuation of the basic state pension at just above subsistence level, financed by general taxation.

However, another contributor to the debate, the Adam Smith Institute in The Future of Pensions by Dr Eamonn Butler and Dr Madsen Pirie, argues that the individual should be made responsible for his basic income — but compulsorily to avoid destitution.

It proposes personal retirement accounts (PRA). An individual setting up a PRA with a bank, insurance company, building society or perhaps even his own employer, would be able to contract out of the state basic pension system. There would be a Government-set minimum payment, and no payments could be withdrawn before retirement.

The PRA would be a private personal and portable asset. The welfare role of government would be confined to paying for the state basic pension premiums of those unable to pay the minimum.

Professor Morgan argues that the graduated pension scheme should be wound up and rights acquired before 1961, when the scheme was set up and its end in 1978 should be paid off

at their present value in index-linked bonds. It would be logical to wind up the earnings-related scheme as well if the principle were accepted that the state should not compel citizens to provide for more than a basic minimum level of old-age income.

But Professor Morgan identifies a snag: Employers contribute to the scheme as well as employees and it is very unlikely that if it were abolished earnings would rise by the amount of the employers' contribution. "Abolition would therefore involve a redistribution of income that would be adverse to a large number of employees, most of whom are fairly low down in the pay scale."

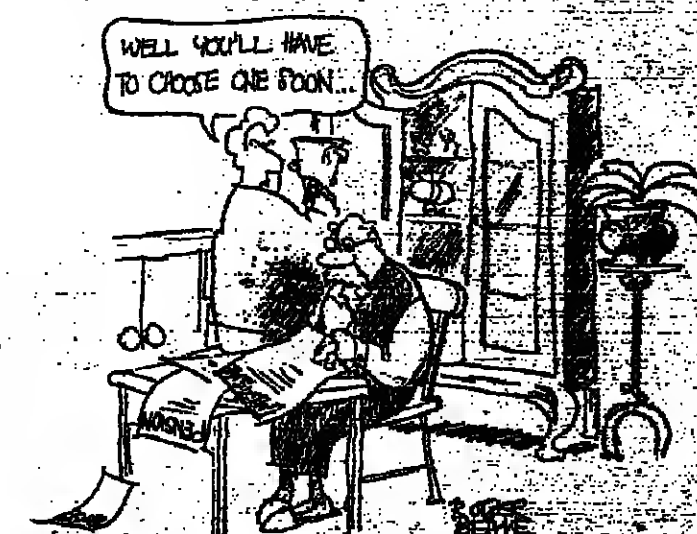
A possible solution would be to allow employees to opt out and choose an approved pension plan from a private institution. The employee and employer would continue to pay for their "stamps" and the state would pay to the chosen institution an amount equal to joint earnings-related contribution.

The problem with this is that it would not give individuals complete freedom to decide the amount and timing of their saving or the management of their assets.

The Adam Smith Institute takes the more radical line and says the present earnings-related scheme — "ill-designed and of questionable virtue" — should eventually be abandoned as a costly mistake.

Ending the system, although honouring obligations already made, could prevent the future funding crisis, and could encourage the development of private earnings-related pensions plans better tailored to the needs of individuals.

Instead of being trapped in state plans the individual would



be able to go to competing private companies offering competing private pension packages to get flexible and completely portable benefits, tailored to individual need and backed up by a professionally managed fund.

But no individual should be forced to have private cover above the minimum PRA level. "The Government has no obvious right to insist that everyone has earnings-related retirement income whether they want it or not."

Some people might prefer higher spending power during their working lives in return for a lower retirement income. Others might want to save in a different way — for example, putting more money into property or into building up a business.

Apart from the traditional arguments about the extent to which people should be left to decide pension matters for themselves there is a further crucial problem to be resolved: inflation.

There are plenty of elderly people around who thought they were retiring with a pension generous enough to provide a comfortable standard of living for the rest of their days only to find the major part of its spending power wiped out by the soaring inflation of the 1970s and early 1980s.

The Adam Smith report takes an optimistic view. "It is doubtful that the era of high inflation will return. The causes of inflation have been learned, the economic model which generated it has been shelved, and the international economic institutions are on their guard against a repetition. And the more individuals who see the threat to their savings or future pension, the more pressure there is on governments not to embark on inflationary programmes."

Professor Morgan is more cautious, saying that although inflation has eased it has not disappeared. "We cannot be sure that inflation will not accelerate again in the future. We need a wider range of index-linked assets, which among other things, would enable institutions to offer inflation-protected money purchase pensions."

No suggests the Government could take a big step forward by offering conversion rights into index-linked stock, on suitable terms, to holders of all existing non-indexed government securities.

This would have the further advantage of reducing the current interest charge on the budget and of giving government a strong incentive to avoid inflation in the future.

Criticism of consultative document

Proposals

BARRY RILEY

MR NORMAN FOWLER and his officials at the Department of Health and Social Services are now mulling over the various reactions received to the consultative document on personal pensions issued last July.

The responses will not have made particularly pleasant reading at the Department's Elephant and Castle headquarters. There has been plenty of detailed criticism even from most of those organisations which have favoured a greater individual role in pensions. And of course, there has been bitter opposition from those with a political or commercial vested interest.

The somewhat contradictory nature of the proposals themselves has hardly helped. For while ostensibly seeking to bring freedom of individual choice into pensions — a field in which at present some 12m employees are locked willy-nilly into occupational schemes — the Secretary of State has also taken on board a commitment that there will be no threat to existing employers' schemes.

It is also evident that the Government is keen to pare back State commitments to pensions, and avoid any new spending requirements. So Mr Fowler is determined to prevent individuals from contracting back into the State earnings-related pension scheme, and he is attempting to push the cost of the bureaucracy involved in personal pensions on to the private financial institutions, even though much of the paperwork would be related to National Insurance contributions and tax.

Moreover, Mr Fowler has been entirely unable to say whether any special tax concessions will be available to people with personal pension plans. It is assumed that the rules will be similar to those already applying to self-employed pension plans.

In the meantime the Chancellor of the Exchequer, Mr Nigel Lawson, is believed to be considering possible changes to the structure of pension tax

reliefs. All the same there is at present a considerable political momentum behind the idea of personal pensions. A strong body of right wing opinion, sympathetically listened to by the Prime Minister and other key Conservatives, argues that investments should be brought back under individual rather than institutional or corporate control.

And if the reality is that personal pensions simply involve a switch from one kind of institution to another, there is an alternative argument. Personal pensions are portable from one job to another, whereas company schemes are designed to favour long service employees and thus act against the kind of employment mobility which the Government wishes to encourage.

Briefly, the proposals set out last July provided that all employees should be able to contract out of company plans, but should not be entitled to any contributions from their employers except for rebated National Insurance contributions (which would vary with age, but would average just over 4.1 per cent of pay).

Personal pensions would qualify for contracting out of the State earnings-related scheme, and would be subject to minimum contribution levels yet to be determined.

A number of questions remained unclear — such as what rights if any an employee would have to rejoin an employer's scheme, and the precise nature of the machinery — central clearing house was one suggestion — which would handle the extra paperwork involved in personal pensions.

The Government was also undecided on the crucial question of which organisations or individuals would be allowed to market personal pension plans, and what safeguards would be provided to protect the public against dubious sales techniques or long-term investment risks.

From the Government's point of view, the responses to the consultative document have probably contained too little solid advice on uncertain details, and too much criticism of some of the basic decisions.

For instance, the National Association of Pension Funds was concerned about the possible impact on occupa-



Mr Norman Fowler, Social Services Secretary, now considering the response to the personal pensions consultative document issued last July.

tional schemes, even though the proposals had been couched to avoid significant damage to Legal and General Assurance, a prominent supporter of greater freedom of choice in pensions, complained that attempts should have been made to make personal plans still more attractive to employees who are not in company schemes.

There has also been a good deal of squabbling by different commercial interest groups. The life assurance offices want to be given the exclusive right to market personal pensions, arguing that existing regulatory systems could then cope. But other institutions, such as unit trusts, are not keen on the idea of being forced to set up life assurance subsidiaries.

The Pensions Research Accountants Group concluded baldly that there were "serious grounds for questioning the practicability of the Government's proposals" and it would be more desirable to

promote personal pensions arrangements which were not contracted out of the State earnings-related scheme.

Elsewhere, the Institute of Chartered Secretaries and Administrators dismissed the advantages of personal pensions as "largely illusory" and that "not enough account was being taken of the real dangers of a simplistic personal pension structure."

However, companies like Legal and General and Avon and Prosper have given strong support to the objectives being pursued by Mr Fowler, even if they have detailed criticisms. And perhaps not surprisingly the Centre for Policy Studies (CPS), the right-wing Conservative Party think tank, offered a "whole-hearted welcome for the initiatives."

Even the CPS, however, had important reservations. For instance, it did not see personal pensions as being attractive enough on the basis laid down in the discussion document.

It did not like the policy on employer contributions, arguing that "some legislative guidance to encourage employers to give no less to a personal pension plan than to an occupational scheme would strengthen the employee's bargaining position."

Where Mr Fowler goes from here is not very clear. At the very least, a substantial amount of extra work will have to be done on the proposals for personal pensions.

There are serious inter-departmental complications, given that tax considerations are in the control of the Treasury and investor protection aspects are the responsibility of the Department of Trade and Industry.

There is a commitment to pass legislation during the life of the present Government, but at this stage it is an open question whether a personal pensions bill could be introduced as early as the 1983-84 Parliamentary session.

Fundamental to future development

CONTINUED FROM PAGE 1

Fowler needs the full co-operation of the pensions industry to help him devise a practical system that will function efficiently without needing a massive and expensive bureaucracy to administer it.

In this respect, he must have been disappointed with the reactions to his scheme. He asked the life and pensions industries for their views on a number of important aspects of the scheme.

The responses did little more than highlight the problems he faces. Attitudes appeared to be

that if Mr Fowler wants a personal pension scheme against the wishes of the industry, then he should go ahead and produce a scheme.

The pensions industry is now awaiting "with some degree of resignation the ultimate proposals and seems indifferent to what is happening."

Although the long-term objective of personal pensions is the de-institutionalisation of investment, the immediate beneficiaries of the scheme will be the life companies.

The discussions on personal pensions presented a picture of very little existing personal pension provision in the UK. This is far from the actual

situation. There is a thriving market in a variety of individual pension contracts, with life companies having a virtual marketing monopoly.

Indeed, the individual pensions market received a shot in the arm when the Chancellor ended Life Assurance Premium Relief. Life salesmen, only able to sell tax concessions rather than contracts, turned their attention to marketing pensions instead of life assurance.

The self-employed have never had so much attention devoted to their pension and life needs by all categories of intermediaries. As a result self-employed pension sales soared last year,

boosted by the speculation on pension tax concessions.

Many life companies reporting their new business figures for 1984 are showing that sales of pensions, self-employed and executive, have risen to a degree that more than offsets the drop in life business.

The third major decision concerns the Government proposals on consumer protection. Such proposals will not only impinge on the current marketing of individual pensions, but will be of vital importance in the proposed personal pension system. The discussion document makes particular reference to the importance of consumer protection.

While the life and pensions industries await the outcome of these events, they can study the implications of the Social Security Bill now at the committee stage in the House of Commons.

The Bill governs a variety of pension topics, in particular the Government's proposals to solve the "early-leaver" problem when an employee changes jobs.

The effectiveness of the proposed solution is debatable. But it does open up a new market for life companies, since job-changers will have the right to a transfer payment which can be used to purchase a buy-out annuity from a life company.

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Need for specialist advisers

AS PENSION contracts have traditionally been marketed by insurance companies, so the main source of advice for individuals planning for their retirement has tended to be insurance brokers.

But the complexity of the subject has brought pensions advice out of the range of many high street insurance brokers. "It's extremely difficult to be a general practitioner now, and getting more so," commented Mr Townley of Douglas J. Townley Financial Services, a pensions specialist based in Bolton.

Those insurance brokers who specialise in pensions now often have more in common with the accountants, solicitors and investment managers who have entered the field of personal financial planning than with brokers concentrating on general insurance.

The registration requirements for insurance brokers, however, have so far paid little attention to this point. In the qualification demanded of individuals before they can be registered as insurance brokers no distinction is made between experience in the life and non-life assurance fields.

"I think it's a must to have some division between life and general insurance" in the brokers' exams," said Mr Alan Kelly, partner in charge of personal financial planning at accountants Thornton Baker. "It's probably the most fundamental change that ought to be made."

Mr Kelly's firm has been one of the most enthusiastic in embracing the field of personal finance. He feels that accountants have an advantage in the sector because they charge for their services on the basis of the time involved, rather than relying on commission. This, he says, makes them more obviously impartial.

Of course, general insurance brokers, particularly those focusing on financial planning, will charge on a fee basis. And accountants do also accept commission from insurance companies, although they are professionally bound to declare it to their clients and are more likely to offset the money against any fees they charge.

But commission is important to pensions advisers, and it will play a significant part in determining the success or failure of personal pensions when these are made available to a wider public—including those who have the option of joining a company pension scheme.

"It is possible that personal pensions will be a damp squib if there is not enough commission," said John McKirdy, personal pensions director of Noble Lowndes, chairman of the pensions committee of the British Insurance Brokers' Association.

And Thornton Baker's Mr Kelly said that personal pensions would simply not be marketed by brokers if the commission rates were not good, as had happened with pure term insurance contracts.

The marketing of personal pensions to a wider public will, however, open the way to more potential conflicts of interest. "It's playing into the hands of the direct salesman," says Mr Townley.

Noble Lowndes's Mr McKirdy points out that an insurance salesman whose firm does not do any company pension scheme business but does sell personal pensions cannot be expected to give impartial advice on whether an individual should leave his company scheme, and he sees a need for the public to be made aware of vested interests.

But although insurance company direct salesmen attract a large share of criticism for being too driven by commission, they too can provide advice on pensions. Sun Life, for instance, has ten experts in its tax planning department and as the personal pensions market swings towards single premium plans it finds it is increasingly providing regular financial planning help for the same customers.

As the personal pensions field opens, after the impact of new legislation, Mr McKirdy sees the need for licensure not only the obvious pensions practitioners—such as those working for firms that are members of the Society of Pensions Consultants—but also accountants, solicitors and perhaps stockbrokers, banks and building societies.

The widening of personal pensions legislation will mean that individuals face a decision on whether to stay within their company pensions schemes or strike out on their own. For this reason any licensing scheme should also cover not just insurance company direct salesmen but employers' pensions managers, Mr McKirdy says.

There may be a growing demand for companies to provide advice on pensions to their employees, particularly new arrivals.

"Is the company going to provide in-house counselling?" asked Geoffrey Pointon of Pointon York. "The majority of pension consultants now don't get below the company finance director. But enlightened companies will provide this advice."

George Graham

Personal Pensions 4



Professor Jim Gower (left), who's report on City reform highlighted the need for protection from high pressure salesmanship. Mr Norman Tebbit, Secretary of State for Trade and Industry (right) is encouraging pooled investments organisations to form a new self-regulatory body.



Focus on investor protection

IN ITS response to the Department of Health and Social Security's discussion paper on personal pensions the Consumers' Association called for standardised pension quotations and disinterested, expert advice.

Unfortunately such pious suggestions only serve to highlight the problems rather than solve them. Standardisation is not a very helpful concept when it is important to maintain a wide degree of choice—though certainly a lot could be done to improve presentation.

As for disinterested advice, the fact is that neutral expertise is an elusive concept when any salesman or adviser has to make guesses about what might happen many years into the future, and when buyers of investment products are notoriously reluctant to pay for advice.

The debate over the extension of availability of personal pensions adds extra topicality to the question of consumer protection, at a time when intensive discussions are going on in related fields.

Thus the life assurance industry has been conducting an active inquiry into selling techniques and commission structures, covering pension contracts as well as life assurance plans.

The industry has drawn up a code of practice for selling, and is trying to establish an agency to control commission levels—the Register of Life Assurance Commissions, or Rolac.

Meanwhile, the life and pensions industry has been drawn into a wider debate on investor protection, leading up to the White Paper produced by the Department of Trade and Industry.

Mr Norman Tebbit, Secretary of State, is encouraging a number of pooled investment organisations—including the life offices and the unit trusts—to co-operate in forming a new self-regulatory agency, which will no doubt view the marketing of personal pensions as a major part of its field of responsibility.

The subject of the protection of the consumer can be broken down into two parts. There is the question of the management of the investments over the many years for which a pension contract may run: whether the investments are well-managed, are of a suitable type, and are safeguarded against anything from excessive charges to imprudence or, ultimately, fraud.

And there is the second question of whether the marketing is of a proper standard, in relation to the commissions charged, the size of the contract signed, and the persuasive techniques of the salesman.

As for the marketing side, commissions are a controversial area, and one which has caused Rolac to struggle. Even the simple disclosure of commissions to clients is strongly resisted by the life assurance industry.

Perhaps the most important question is whether companies should be allowed to pay above standard commissions to pull in business, let alone the kind of overrides on large volumes which must place seriously in doubt the ability of intermediaries to give individually

Consumer Protection

BARRY RILEY

On the first point the life assurance offices are making a strong pitch to the effect that they should be permitted to maintain their present monopoly on the marketing of personal pension contracts.

They are closely regulated by the Department of Trade and Industry, which has developed experience over many years in monitoring whether the management is fit and proper, the investments are safely held, and high standards of solvency are maintained.

However, the unit trusts are also tightly regulated by the Department of Trade and Industry and are keen to get into the pensions business (as many management groups have already done by setting up life assurance subsidiaries to market unit-linked policies).

Then there are other potential entrants into the pensions field, such as stockbrokers and various investment management firms, including the investment offshoots of big banks as well as tiny "boutiques".

At present many of them are of inadequate stature to be acceptable as personal pension plan providers, largely because they are subject to an uneven patchwork of regulation. But this could change if the new framework of investor protection set up under Mr Tebbit's legislation proves effective.

Even so, it is debatable whether there should be a free-for-all in the investment choice. The unit trust industry already displays an excessive reliance on "flavour of the month" type funds, and specialisation could prove dangerous in long-term retirement funds.

And when the Government offers heavy tax relief on pension contributions, it could be appropriate that it should limit the amount that can be ploughed into commodity futures, venture capital speculations or bags of uncut diamonds.

As for the marketing side, commissions are a controversial area, and one which has caused Rolac to struggle. Even the simple disclosure of commissions to clients is strongly resisted by the life assurance industry.

Perhaps the most important question is whether companies should be allowed to pay above standard commissions to pull in business, let alone the kind of overrides on large volumes which must place seriously in doubt the ability of intermediaries to give individually

tailored advice to clients. There is also an argument for a cooling-off period to allow customers to recover from high pressure salesmanship and reconsider an unwise commitment. Ten days is suggested by the life offices, and some people think a month would be better.

Another aspect of selling which is causing some heart-searching in the investment industry is the question of how future benefits should be projected. Nobody knows exactly what investment returns are achievable over 10, 20 or 30 years; but at the same time, people entering into pension contracts need to have some idea of what they are buying.

Insurance companies are coming in for criticism over their use of bonus rates to project eventual benefits. The meaning of such bonuses can be obscure to all but the most expert analysts. And last year Mr Stewart Lyon, a director of Legal and General and immediate past president of the Institute of Actuaries, claimed that it was dangerous to project current exceptionally high bonus rates for long periods into the future.

It is argued that it is preferable to project the underlying returns on investments—giving examples of say 10 per cent and 15 per cent a year—rather than extrapolate on the basis of the historically unusually high returns which have been achieved in the past decade.

A further important way in which people can be bamboozled is through manipulation of compound figures without regard for the impact of inflation.

Since high investment returns are generally associated with high inflation, long-term benefits need to be presented in real terms rather than in 21st-century monopoly money.

When interest rates are in double figures, modest contributions may justify projections of retirement benefits of many thousands of pounds. But all too often these are compared in sales literature directly with present day pounds.

It is a point which particularly worries officials of company pension schemes, who may in future years have to fend off personal pension salesmen with apparently attractive deals for employees.

The clash here is particularly striking, because company schemes generally play down the benefits available to members, whereas personal plans are subject to varying degrees of hype. From the consumer's point of view, some way must be found of ensuring that like is fairly compared with like.

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Edinburgh: 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25, 26, 27, 28, 29, 30, 31, 32, 33, 34, 35, 36, 37, 38, 39, 40, 41, 42, 43, 44, 45, 46, 47, 48, 49, 50, 51, 52, 53, 54, 55, 56, 57, 58, 59, 60, 61, 62, 63, 64, 65, 66, 67, 68, 69, 70, 71, 72, 73, 74, 75, 76, 77, 78, 79, 80, 81, 82, 83, 84, 85, 86, 87, 88, 89, 90, 91, 92, 93, 94, 95, 96, 97, 98, 99, 100

Personal Pensions 5

Taking advantage of the tax incentives

Self-employed Contracts

JANET WALFORD

IF YOU are self-employed, or an employee in a company with no pension scheme, then you will have to make your own pension arrangements if you want to look forward to more than just the State pension in retirement.

Since 1956, the self-employed have been able to effect individual personal pensions with considerable tax incentives. The policies are offered by life insurance companies and can provide, as well as a pension in retirement, a tax free cash lump sum, a widow's pension or lump sum in the event of the policyholder's death before age 75, and additional lump-sum life cover.

Further add-on benefits include an option for premiums to be waived in the event of long-term ill health, and loans to fund residential and commercial mortgages. The tax incentives are threefold:

- The premiums to the plan, within statutory limits, are eligible for tax relief at the highest rate on earned income (if you pay tax at say 50 per cent, then a £1,000 premium will only cost you £500).
- Such premiums are accumulated by the life office in a fund which is free of tax on its income, and of capital gains tax, thereby providing virtually unrivalled growth prospects.
- Part of the pension benefits may be taken as a completely choice of plans comes down to

one of investment profit distribution.

If you want considerable security in pension funding, you will probably prefer a "with profits" policy. These provide for a guaranteed minimum benefit, to which is added, at regular intervals (usually annually) reversionary bonuses which increase the guaranteed benefits.

Once allocated to a policy, reversionary bonuses cannot be taken away; the pension benefits therefore increase steadily over the term of the policy, and as the policyholder approaches retirement he should have a good idea of the size of pension he will receive.

In addition, the value of accumulated benefits will, in most cases, also be increased at retirement age by a "terminal bonus." Terminal bonuses are very much an unknown quantity — they may or may not be payable at retirement, depending on the investment returns by the underlying funds.

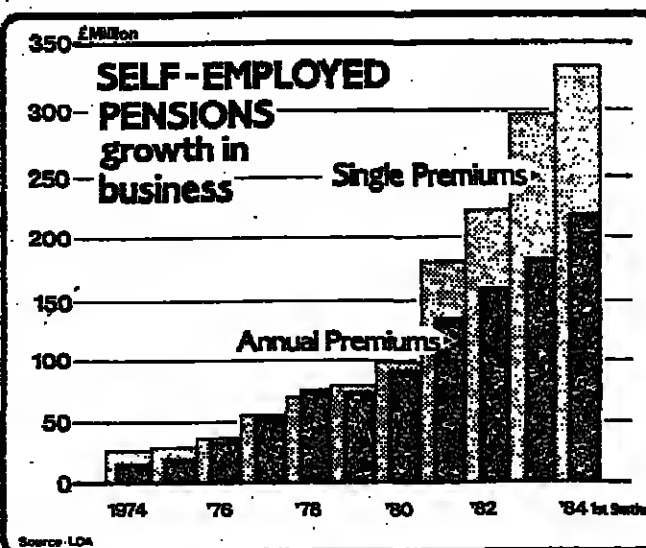
Terminal bonuses

Even though a life company may be paying terminal bonuses on policies becoming claims today, it does not mean it will still be paying them when you retire, or that if paid, they will be at the same rate.

Over a long period, benefits arising from terminal bonuses can amount to 25 per cent or more of the total.

If you are prepared to accept a bit of risk, you may prefer a unit linked policy, under which each premium buys units in an underlying unit fund, which can be invested in tax free cash lump sum at retirement.

The maximum amount of contribution which may be paid to



a personal pension plan is based on a percentage of "net relevant earnings," the amount depending on when you were born.

As the policy conditions and benefits under the plans are largely the same (governed as they are by legislation) the property, UK equities, overseas equities, and other specialist investment sectors.

The ultimate fortunes of the pension benefits will depend on the value of the units when encashed, and the unit value will fluctuate in line with market conditions. In return for the greater risk of a unit linked policy, there is the potential of greater benefits, and in a rising market a good unit linked policy will invariably outperform the with profits sector.

Deposit administration policies are a variation on the unit linked theme, but operate rather like a bank account.

After making a deduction for charges, the premiums are invested in the policyholder's account, to which interest is credited at regular intervals.

The rate of interest will rise and fall in line with market rates, but like the with profits policies, once the interest has been added it cannot be taken away.

The investment funds of all these methods of pension provision are managed by the investment team of the life office. There are, however, limited opportunities for the self-employed to manage their own pension funds if they prefer.

Earmarked

These schemes require fairly high levels of premiums, so are usually only suitable for partnerships. Such schemes are offered by a handful of life companies, namely Lloyds Life, Albany Life, Property Growth, Trident, Life Association of Scotland and the biggest operator in this field, Sun Life.

Under the Sun Life scheme the minimum initial investment is £10,000, and the partnership can appoint its own investment manager (who must be a

Percentage of net relevant earnings for tax years

Year of birth	1980-81 and 1981-82	1982-83 onwards
1934 or later	17.5%	17.5%
1916 to 1933	17.5%	20.0%
1914 or 1915	20.5%	21.0%
1912 or 1913	23.5%	24.0%
1910 or 1911	26.5%	26.5%
1908 or 1909†	29.5%	29.5%
1907 or earlier*	32.5%	32.5%

* For 1982-83 this means 1907; anyone born earlier would have attained age 75 so would be bound to have started to take the pension and for 1983-84 it is spent. † For 1984-85 means 1909.

licensed dealer in securities, a stockbroker or a member of NASDIM), to purchase and manage the underlying assets of its own fund.

These assets are separately earmarked for the partnership, but form part of the life company's own pension fund, and therefore must be suitable for inclusion in that fund. Acceptable assets are any securities quoted on a recognised stock exchange, commercial property (such as the partnership's own business premises) and even loans to individual partnership members are permissible.

One of the benefits of these so-called "self administered" arrangements is that if the partnership is not happy with the performance of its own pension fund, it can sack the investment manager and appoint another!

Another way in which a partnership can run its own fund is to set up its own in-house friendly society. These are only open to partnerships of at least seven members, which may include both full and salaried partners, but not a mix of partners and employees.

The funds of the in-house friendly society are invested as

the trustees see fit, the trustees being the partners themselves. Acceptable investments include building societies, authorised unit trusts, bank accounts with the TSB and the partnership property.

Draft rules

To set up one of these in-house friendly societies you need the help of professionals such as solicitors and actuaries whose charges range from £2,000 to £3,000. They will draft the rules of the friendly society and submit them for approval to the Registrar of Friendly Societies.

They will also draft a retirement annuity policy for submission to the Superannuation Funds Office, and prepare a simple business plan for presentation to the Registrar. Both the "self administered" and the "in-house friendly society" systems of pension funding attract full tax benefits.

There are nearly 100 different life offices currently marketing various forms of pensions for the self-employed. It is necessary to seek the advice of an insurance broker or pensions adviser to help select the best plan to match requirements.

In a gestatory period

LIFE companies have had a virtual monopoly in marketing personal pension contracts. However, the Government's consultative document in July suggested that other financial institutions should also be permitted to market personal pensions.

It proposed that banks, friendly societies, unit trusts, pension funds and stockbrokers could provide personal pensions. Curiously it made no specific mention of building societies which are already firmly established in the Additional Voluntary Contributions (AVC) market, and for whom personal pensions would be a natural extension.

Indeed, the response of the Building Societies Association (BSA) to the document appeared to have failed to recognise the huge potential of this market.

Once the penny dropped, however, the BSA made a submission to the Government, requesting that societies should be permitted to market personal pensions. It is estimated that building societies already have between 20 and 25 per cent of the AVC market — a field they first moved into in strength in the late 1970s.

Regular report

Building societies operate special accounts into which company pensions funds invest additional contributions deducted from an employee's salary. An account is opened in the trustee's name but the individual employee's contributions are separately identified so that he can obtain a regular report on his investments.

The account, which normally pays a variable rate marginally above base rate — which societies are now attempting to guarantee for a year — pays

Other Institutions

MARGARET HUGHES

interest gross because the investments represent additional contributions to a tax exempt company pension scheme. The proceeds are then invested at the time of each employee's retirement to buy an annuity from a life company.

Building societies argue that personal pensions marketed by them would have the advantage of capital security combined with a good return. They would also have the advantage of simplicity and a visible record of build-up.

There are mixed views as to whether societies should simply be the vehicles for accumulating capital, which would then be used by the individual to purchase an annuity that societies would market as agents, or whether societies should undertake to provide the pensions.

Whether or not they would be able to do the latter would depend both on the regulations which the Government would introduce covering those providing personal pensions and on proposed building society legislation.

Where the recent Green Paper showed some reservations was in the building societies role in the insurance market, particularly as underwriters.

The two main life company associations — the Life Offices' Association and the Associated Scottish Life Offices' initially argued the only life companies or life subsidiaries of other

institutions should be allowed to sell personal pensions.

They have since modified their response to the requirement that anyone marketing private pensions should be subject to the same regulations as those which life companies have to abide by.

However, if other institutions are merely to become involved in the funding site of personal pensions which would amount to straight savings contracts there would not be the need for such vigorous regulation.

Those institutions such as building societies and unit trust companies, which are interested in the personal pensions market, recognise that were they to provide the pensions and so become involved in guaranteeing benefits or build up amounts then there is a case for saying that they should be subject to similar regulations to those for life companies; particularly those governing solvency and fair marketing.

That aside, life companies still contend that they offer a better deal on personal pensions than other institutions could because they invest their funds over a wide range of instruments.

Possible role

To a great extent financial institutions are still debating their possible role in the personal pensions market. Unit trust groups and building societies appear much keener than banks with unit trusts arguing that they would offer greater scope for growth through funds invested in equities.

Except where such institutions already have a life company within their group, like Barclays Bank, among the banks and Save and Prosper, or M and G among the unit trusts, most seem largely interested in being vehicles for building funds or possibly marketing products of life companies.

Barclays and Save and Prosper aim to provide personal pensions through their own life companies.

National Westminster Bank's approach will be via its merchant banking subsidiary County Bank's unit trust operations while TSB, through TSB Trust, in November launched its first personal pensions scheme. However, it is yet to decide how far it wants to move into this market.

In common with other institutions it is awaiting more detailed information from the Government on how such schemes will be administered before deciding how it would approach the personal pensions market, if at all.

Among the unit trust groups the majority are expected to opt for being build up vehicles only, although those with existing life companies such as Save and Prosper will now be able to provide annuities.

One unit trust group, Framlington, only a few days ago set up a life assurance company specifically to market personal pensions, simultaneously launching a new personal pension scheme.

But while Framlington has made a bold move most other financial institutions are very much in the gestatory period when it comes to the personal pensions' market, awaiting further Government direction.



Will your pension keep you in the manor to which you have become accustomed?

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In fact, a visit from the plumber costing, for example, £75 today, could cost in the region of £160 by the year 2000, about the time many pension plans taken out now will mature.

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Name of financial adviser (if any)

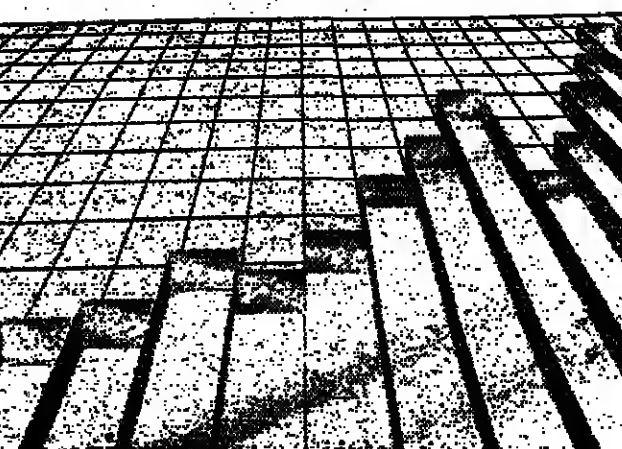
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IT PAYS TO LISTEN TO EXPERTS.

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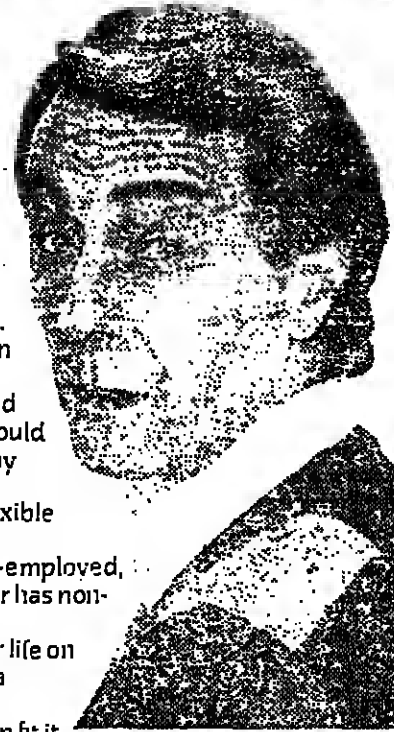
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The funds are managed by teams from Fidelity International, one of the top-performing unit trust groups, and Clerical Medical, a leading UK life office with an outstanding record of returns to its with-profits policyholders.



Fidelity, with its proven international expertise in all major international stock markets, will manage the overseas funds. Clerical Medical, with its particular expertise in UK equities, fixed interest and property, will manage the UK funds.

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Mars sets a shining example

Employers Contracts

ERIC SHORT

THE VARIOUS supporters of a personal pension system attack company pension schemes by claiming they are extremely impersonal, with employees having no involvement or identification in their schemes.

Nigel Vinson, now Lord Vinson, the chief protagonist of personal pensions, described pension scheme assets as "nobody's money" when highlighting this lack of involvement.

This is not necessarily the whole story. In many pension schemes, employees have the facility to supplement their pension benefits by paying extra contributions, over and above the normal contributions, into a pension arrangement. These extra contributions, known simply as AVCs (Additional Voluntary Contributions), invested in an AVC scheme are the personal pension of the employee concerned and can be identified as his own.

AVC payments can only be made where the employee does not qualify for the maximum benefits from the main pension scheme. But in practice, few employees are not able to make AVCs, especially as more schemes are now integrating benefits with the basic State pension.

The Inland Revenue permits employees to contribute a maximum of 15 per cent of their earnings towards pensions. Thus if the employee is paying 6 per cent of earnings to the main scheme, he can invest up to a further 9 per cent in an AVC scheme.

An AVC arrangement carries the same tax advantages as other pension arrangements—contributions attract tax relief at the employee's top rate. Investment in tax exempt funds and the benefits taxed as the main company benefits.

For employees wishing to save for their retirement, an AVC scheme is a highly tax-efficient savings vehicle that



Lord Vinson, chief protagonist of personal pensions, described pension scheme assets as "nobody's money" when highlighting employees' lack of involvement in company schemes

cannot be matched by any other form of savings. The major drawback for many employees is that the assets under an AVC scheme cannot be touched until retirement. Many employees simply do not like the idea of inaccessible assets.

Since AVCs are technically an extension of the main company scheme, the facilities have to be set up by the trustees. An individual employee cannot make his own arrangements. It is usual for trustees to arrange AVCs outside the main company scheme—with a life company, building society or even a bank. Where a scheme invests AVCs direct, those AVCs are kept in separate accounts for each employee.

The pensions establishment, in the discussions on personal pensions, took the AVC set-up as the model for its concept of a personal pensions system—a third tier personal pension sitting on top of basic State pensions and company or State earnings-related pension.

Its proposal envisaged any employee being able to take out an AVC arrangement of his choice without any direction or control from his employer or the trustees of his company pension scheme.

However, the personal pen-

sion proposals from Mr. Norman Fowler, Social Services Secretary, were taken towards this concept. The document pointed out that relatively few employees take advantage of the current AVC facilities. The door, however, was not completely closed on this proposal.

However, it is possible to market AVCs successfully if the company and the pensions staff are prepared to give time and effort in providing a counselling service to employees.

The personnel department of Mars Confectionery has produced an in-depth information exercise to employees of its Voluntary Contribution Scheme (VCS).

The results have paid off with half of all employees—from every department—taking out VCSs, with over 90 per cent of employees over 50 having a plan.

The first reaction is to think that Mars must have an in-depth pension scheme that needs such widespread topping up. But the main scheme has a good, if somewhat unusual, benefit structure.

It has a normal retirement age of 63 for men and provides a maximum pension of 60 per cent of final pay—integrated with the basic State scheme

from age 63—after 20 years service, with the alternative of a "lower" non-integrated pension. Mars has taken trouble to explain to its employees the benefits and uses of its VCS scheme, with particular emphasis on the ability to finance early retirement and to provide capital to start one's new phase in life.

This is followed by individual counselling services, where by using computer facilities and Visual Display Units, the employees can see the effect of extra contributions on his ultimate benefits, using a variety of assumptions regarding the future.

And Mars does not lose interest once an employee takes out a VCS scheme. This service is part of Mars' comprehensive pre-retirement programme for employees, under which financial advice starts when staff are in their 40s. The employee is encouraged to seek continuing advice and update his plan every two or three years.

Other companies could well take a lead from Mars in employee welfare concerning pensions. And Mr. Fowler could well profit by studying this activity as an exercise in responsible pension selling.

Argument centres on longevity

Sex Equality

MARGARET HUGHES

WHEN Mr. Norman Fowler, the Social Services Secretary, set out his proposals for a system of personal pensions last July, the ability of individuals to opt out of both State earnings-related and their employers' pension was portrayed as being particularly attractive to women.

This was partly because women are more job mobile than men. Also because their careers or jobs may be interrupted by time off for raising families, they may not have made sufficient contributions to an occupational pension scheme in order to derive full benefits.

However, on perusing the consultative document which was issued, it soon became clear to both women and the Equal Opportunities Commission (EOC) that women will be given different treatment in the proposed personal pensions scheme in the same way they are assessed separately in the existing Section 226 money-purchased schemes for individuals who are either self-employed or not in pensionable employment.

In such schemes a capital sum is built up and this is used to buy an annuity for retirement. Life companies, however, treat women differently from men on the basis that actuarial data shows women tend to live longer.

Thus, when buying life assurance, women are offered cheaper rates than men, but with an annuity or pension they have to pay more to obtain the same pension or, if they make similar contributions to men, will receive a smaller pension on the grounds that capital built up will have to spread more thinly over the projected longer lifetime.

Thus, as the EOC points out, in its response to the Government's Consultative Document, women opting for a personal pension under the present proposals "will not acquire the same pension entitlement as a man."

According to the EOC women would on average either have to pay up to 50 per cent more than men to get the same pension or, if they paid the same contributions, would end up with a pension up to one-third lower than the equivalent male.

To eliminate this discrimination, the EOC argues that life companies selling annuities should pool the risks of men and women, such as is, on the whole, presently done in occupational pension schemes.

Much progress has been made in eliminating sex discrimination within both state and occupational pension schemes since the 1975 Social Security Pensions Act.

Women do at least, generally speaking, now have equal access to pension schemes. Benefit in the form of an employee's pension is the same for men and women on equal pay. But the sex-based difference in retirement age along with benefits paid or not paid to dependents is still widespread—as they are within the state scheme. There are also sex related differences when commuting pensions for lump sum payments.

This will continue even when the proposed EEC legislation on equality in pensions is introduced because it allows deferral of equality of retirement age and survivors' benefits until these discriminations have been eliminated in the member country's state pension schemes.

Even so there are a few occupational schemes such as that of the Civil Service which already have the same retirement age for men and women, while a third of occupational schemes now provide widowers

pensions of men and women then this would only lead to indirect discrimination.

Life companies would be reluctant to sell life insurance to men and annuities to women. As a result he would envisage some companies marketing personal pensions and any other form of annuities, either solely to women or to men and setting their price accordingly at an apparent fixed rate.

Alternatively, if life companies were to quote a "unisex rate" then women would pay more than they do now for life assurance, and men more for annuities as a result of pooling the risks.

At present life companies are able to treat men and women differently if this is based on actuarial considerations under exceptions allowed by Section 45 of the Sex Discrimination Act of 1975.

Not surprisingly the EOC considers it "crucially impor-

tant" to repeal Section 45 of the Act and had been lobbying hard, even before the publication of the personal pension proposals which would extend the discrimination permitted under Section 45.

It now considers repeal of Section 45 as essential to the removal of the EOC's "fundamental" objections to the new private pension scheme, where the benefits would differ on the grounds of sex.

The Government's consultative document on private pensions barely addresses the issue of sex differentiation. Indeed, what references that are made are somewhat contradictory.

On the one hand the proposals would seem to perpetuate the principle of age and sex related contributions and, as references to widows pensions but none to widowers benefits.

Yet at the tail end of the document passing mention is made of an EEC Draft Directive on equal treatment in occupational social security schemes, with the comment that any arrangements for personal pensions "would need to comply" with the final Directive when it is issued. Existing

Section 226 policies based on the money purchase approach would "most certainly" contravene the EEC Draft Directive. The EOC has thus drawn the Government's attention to its obligations to the EEC Directive once it comes into force and points out the problems which would arise were the arrangements drawn up for proposed personal pensions "not to comply. The EOC suggests it would be better to comply with the Directive's intentions, in the first place than have to change the scheme later with all the uncertainty and insecurity which that implies for individuals who had taken out personal pensions."

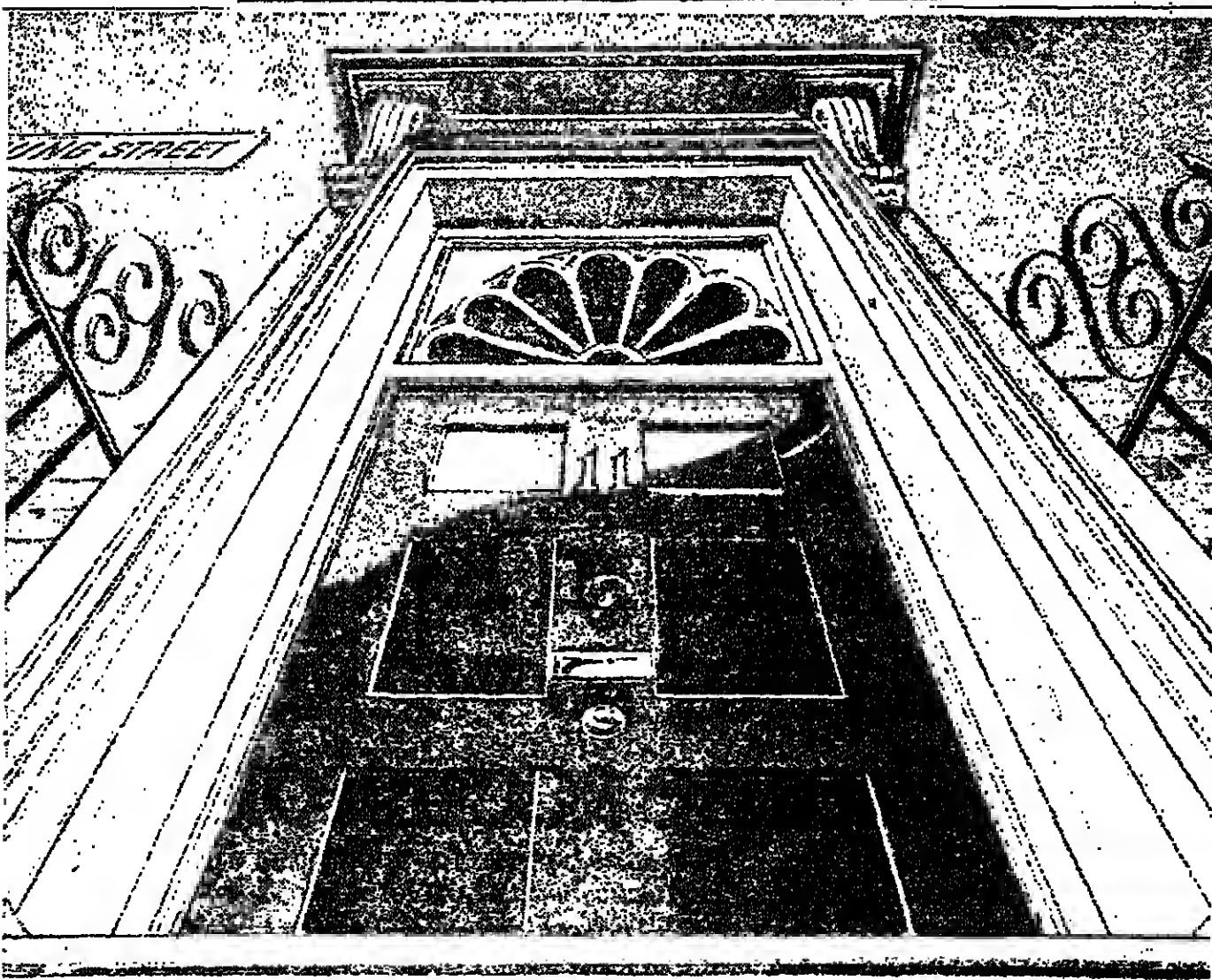
Specifically, the EEC Draft Directive ensures the application of different actuarial standards, and different rates of contribution according to sex. It also eliminates different standards for men and women when an individual either wants to leave an occupational scheme or wants to transfer rights from one scheme to another.

While the EOC wants the Government to both repeal Section 45 of the Sex Discrimination Act and to ensure that its personal pension scheme complies with the requirements of the EEC Draft Directive on equality in pensions as a means of eliminating sex discrimination in personal pensions, it also argues that the Government's proposals as they now stand may even be contrary to existing European legislation.

Given the European Court's wider interpretation of "pay," employers who made different payments according to the sex of their employees, either as direct contributions to pension schemes or in passing on the contracting-out National Insurance rebates which could be regarded as deferred pay would be contravening Article 119 of the Treaty of Rome, which requires equal pay for equal work.

Similarly, if the contracting-out rebates are not considered to be "pay" they would be regarded as social security payments and any inequality in payment—at present they are calculated by the Government Actuary on the basis of age and sex—would be in breach of the EEC Directive of equal treatment in social security which came into force at the end of last year.

According to the EOC, contributions and pension amounts are not the only areas where discrimination would exist under the new personal pension proposals. Women would also get different transfer values. On either transferring to another scheme or returning to the State earnings-related scheme, their transfer values would be larger than those for men. If a woman opts for a deferred pension, however, she would get a smaller annuity than the equivalent man, again on the basis that it would have to be paid over a longer retirement period.



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Whatever he does we won't know until budget day—so you'll never have a better pensions opportunity than now.

Last year, the Chancellor abolished tax relief on life assurance premiums. Now, it is suggested—in Fleet Street and the City—that he has designs on pension contributions for the Spring Budget.

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YOUR SAVINGS AND INVESTMENTS

Clive Wolman finds that home fires burnt brightest for those who kept their money in the UK

Britain takes stock and beats the world

THE BEST place to have invested your money in 1984 was back at home in the strike-bound, high-unemployment, low-productivity UK.

Those who sent off their money to more exotic climes may not have done dismally compared with their sick-at-home counterparts but, in nearly all cases, they would have been saved by only one factor: the slump in the pound against international currencies.

The U.S. stock market over the year made only a tiny advance, which was overshadowed by the more spectacular ups and downs on the way. But, as far as the dollar was concerned, there was movement in one direction only: except for a brief spell last February, unfortunately for UK investors, that spell was sufficient to make many fund managers so nervous that they then nullified much of the subsequent rise of the dollar by hedging against it.

Partly for this reason, and partly because of the decline in U.S. smaller companies, many

American funds rose very little in value during 1984, or even fell. But don't be too quick to draw unpleasant conclusions about your manager. Hardly anyone has been able to forecast currency movements.

More useful would be the publication of unit trust performance figures in dollar terms so that investors could assess their manager's stock market performance in isolation. So far, no such figures are available.

The Japanese stock market rose much more strongly but all save one of the fund managers performed very poorly against it (see adjacent article). Once again, however, a rising yen came to the rescue.

The only stock markets to have out-performed the UK were in Hong Kong, where the fluctuations in share prices have frightened away most people over the past three years, and a few relatively tiny European markets.

The tables of the top 10 performing unit trusts and investment trusts shows a high representation of UK-invested funds,

including funds with a rather steady, low-risk image. In the top two best-performing UK unit trusts, Manulife High Income and Oppenheimer Income and Growth, have the objective of investing in high-yielding stocks with the aim of achieving a high income rather than capital gain.

But with UK company dividends increasing by 15 per cent for the 1983 financial year, and expected to increase by a further 15 per cent for 1984, it was possible to achieve both a high income and high capital gain.

According to Kenneth Inglis, UK equity analyst at London stockbrokers Phillips and Drew, the prolonged upturn in the economic cycle in 1984 led to a revision of the prospects for many of the highest-yielding stocks. In addition, companies vulnerable to takeover bids were obliged to increase their dividends. "They had to look at their strongest to avoid the knock on the door at the middle of the night," says Inglis.

Peter Edwards, of Premier Unit Trust Brokers in Bristol, believes that, in 1985, UK income funds will continue to do well because of the large number of attractive high-yielding stocks he believes still are around. "An income fund manager makes himself sell out and take profits when the price rises and the yield becomes too low," he says. "I think that discipline is a good one."

The top-performing fund, Manulife Income, surged ahead only in the last few weeks of the year. Although the subsidiary of a large insurance company, it remains a very small fund and has been going for only 16 months. So it would be dangerous to draw any conclusions yet about its long-term performance potential.

The Oppenheimer Income and Growth trust is also a newcomer having come under its present management only two years ago. But the fund managers have already established a go-getting reputation. "They are aggressive and hungry like many of the best-established managers today were 10 years ago," says James Berry of Berry Asset Management.

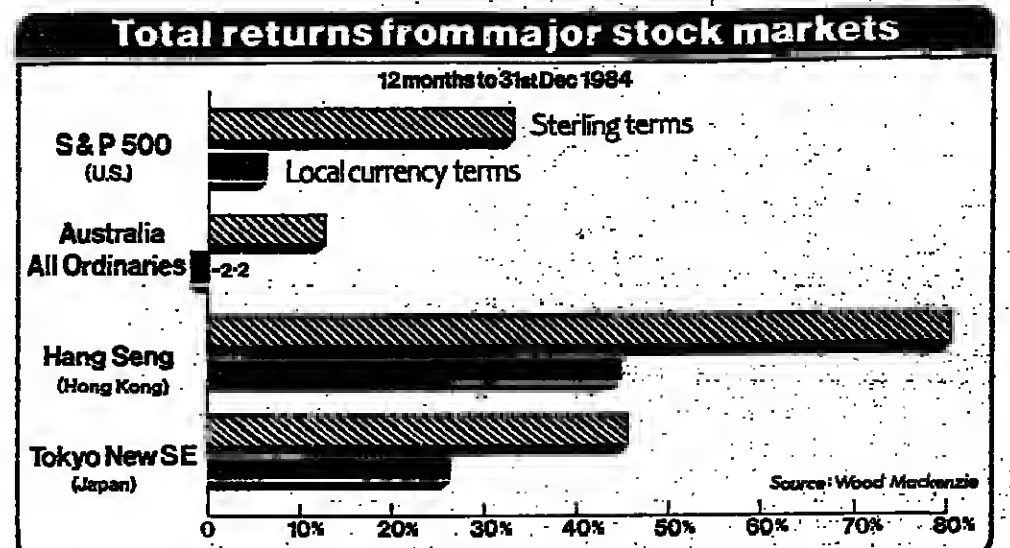
Among the longer-established funds, M & G Midland—which for long concentrated on UK blue-chip companies and engaged in little active trading—put in a strong performance for the second successive year.

All in all, only 79 of the nearly 700 trusts monitored achieved higher returns than the FT-Actuaries All Share index, the benchmark for UK fund managers. And only 10 of these 79 were overseas trusts.

In the investment trust sector, the pattern of poor performance is even more striking. The funds' average return on their assets in 1984 was only 21.5 per cent, compared with 31.5 per cent on the index. Of the funds in the top 10, shown in the table in terms of total return, five had a heavy weighting in Japan and five were invested almost entirely in the UK.

In terms of share price, investment trust performance has been more disappointing. The share price of those funds investing in Japan, particularly, has risen more slowly than the rise in net asset value.

But before you complain too strongly about your UK fund



manager, you should take a look at the performance of the international funds managed offshore. The adjacent table of the top 10 performing offshore funds is based on statistics compiled by Lipper Analytical Services, Inc., of New York. The figures are quoted only in terms of the local currencies. For four of the 10 funds, conversion back into sterling would have meant a substantially increased gain for UK investors.

The most successful foreign manager appears to have been the Union Bank of Switzerland, which recently has announced it is to take a stake in Phillips

and Drew. It has three funds in the top 10, out of 332 international funds surveyed outside the U.S. and UK.

You should note, however, that two of the three funds are in Spain and Italy, tiny, highly-specialised stock markets which shot up during 1984. The performance of the third is more remarkable as it is a bond fund. It benefited from the strong rise in the U.S. dollar against the Swiss franc, but also from active trading.

Nevertheless, overall, only 5 per cent of the offshore funds surveyed were able to beat our own All Share index.

TOP 10 PERFORMING INVESTMENT TRUSTS—1984

Trust	Total return (net income reinvested) %
Baillie Gifford Japan	40.2
Lowland	35.8
TR Pacific Basin	33.2
Fleming Enterprise	33.0
New Tokyo	31.3
Ailsa	30.4
GT Japan	30.1
N. British Canadian	29.4
Temple Bar	28.7
TR City of London	28.5

Source: Wood Mackenzie

Japan bubbles back...

NOT SINCE the collapse of the South Sea bubble 263 years ago have the British shown such enthusiasm for investing in foreign ventures.

That at least is what the unit trust marketing world was saying just 12 months ago, as investors rushed to pour their money into anything which had Japan on it. The interest had picked up the previous summer, gathered momentum in the autumn and reached its climax during the early months of 1984, as share prices surged and the Nikkei-Dow Jones Index passed through 10,000 for the first time.

In that period, 17 new Japanese unit trusts were launched, doubling the total number, and another seven were launched to invest in Japan and other Far Eastern countries. Last January, Framlington Japan and General Trust attracted more than £20m even before the launch, beating the previous unit trust record.

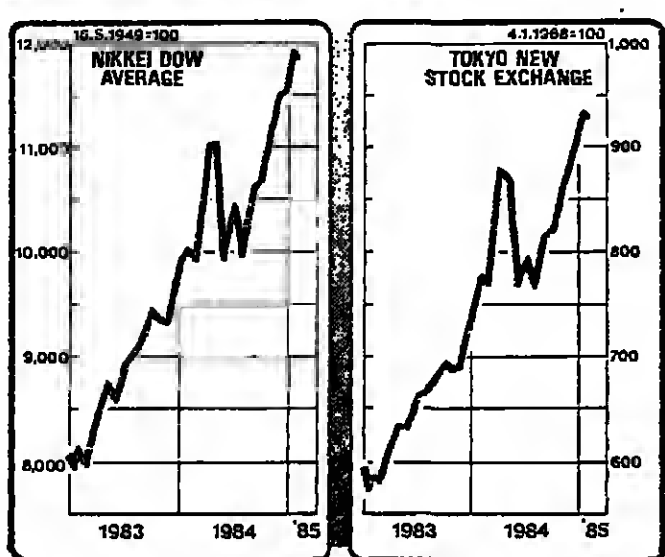
Even more remarkable were the events in the investment trust sector where share prices for the last 11 years have been languishing as discounts of more than 20 per cent to their net asset value. Suddenly, a few trusts were to be found whose shares were trading at prices above the value of their assets. GT had one trust on a premium of 13 per cent. The only reason for their newfound popularity was the realisation that they were investing in Japan.

All in all, small, private British investors are estimated to have paid nearly £400m in that period for a stake in some Japanese fund or other.

Then the stock market slumped. The Nikkei-Dow Jones index fell from 11,190 in May to just above 9,600 in mid-July. What was worse was that the UK unit trusts and investment trusts which, over the previous 10 years, had almost consistently achieved higher returns than the stock market index were now underperforming it, by more than 10 per cent in some cases. Several funds missed out on most of the rise and then took the fall squarely on the chin.

The tale has, however, had a happier sequel than the collapse of the South Sea bubble. Since July the market has been climbing steadily. Over the 12 months of 1984, the stock market index rose by 23 per cent in Yen or 44 per cent in sterling, compared with only one of the Japanese unit trusts lost any capital last year.

Interestingly, however, that one Japanese unit trust, Atlanta Japan and Far East, is the only UK trust in which a Japanese securities house participated in the management. An article on these pages 13 months ago, "A cold war from Tokyo," warned that the securities house, Daiwa, like most other Japanese securities houses, had a particularly poor performance in managing funds for its customers' back home. Daiwa was in fact sacked as the manager in July since when the Atlanta fund's performance has picked up a little. The second fund to be managed by a Japanese house, the Providence Capital Japan Growth unit-linked fund managed by Nomura, performed



slightly more respectably in 1984 achieving a return of 11.6 per cent.

Not that the UK-managed funds investing in Japan have had much to be proud of over the last year in terms of their investment performance. Only one unit trust, Fidelity Japan, actually managed to beat the index, the broadest measure of the fortunes of the Japanese market, when translated into sterling terms.

Most of the others under-performed by a large margin. Fortunately, the general rise in the stock market compounded by the equally powerful rise in the Yen against the pound has shielded most investors from the normal consequences of such under-performance.

It would normally be unfair to complain about a group of fund managers on the basis of one year's performance. But some of the problems the British fund managers had in the Japanese market last year indicate future dangers which investors may not have the cushion of a general stock market and currency rise.

The main cause of the failure of the UK funds to match the stock market's average return has been the upsurge in the share prices of Japan's banks. Many banks, after holding down their share prices artificially for many years so that they were all traded in the same price range, allowed their shares to more than double in value from January-March 1984. But foreign investors have never been able to buy major stakes in the financial institutions which now account for nearly 25 per cent of the value of the stock market, so they missed their share of the profits.

The rise in bank share prices, however, reflects the increasing liberalisation of the Japanese financial system. In the longer term, this will make the stock market more competitive so that it will be more difficult for foreign fund managers to pick up easy profits as they have over the past 10 to 15 years.

There is, however, no single strategy for success in the Japanese stock market as the stance of the two best-performing funds demonstrates. Fidelity Japan, which since it was launched in 1981 has produced the highest returns of virtually all UK unit trusts over one and three years, is the only fund to be managed exclusively by Japanese in Tokyo. The 11

fund managers and analysts have been trained in Fidelity offices around the globe.

According to Yasuo Kuramoto, who heads the team, they rely very little on the research reports of the Japanese brokers and insist on following closely about 250 companies often with the help of visits. But although they emphasise fundamental company research, they also seek to beat the Japanese investors at their own game, switching nimbly from sector to sector in anticipation of changes in fashion.

Over the course of the last year, the fund was heavily committed to pharmaceuticals, the construction industry and even the financial sector at various times. Such a strategy is inevitably risky and over the last three months, the fund has performed poorly. Over the three-year period, the fund's strong performance probably reflects an element of luck. The investment returns from Fidelity's other Japanese funds, for most UK investors, have been less spectacular although still sound.

The second best-performing Japanese fund has been Baillie Gifford Japan, the top-performing investment trust in 1984. It achieved a growth in its asset value of 43 per cent in the year, although the share price, which unlike a unit trust is not directly related to the asset value, rose by only 31.3 per cent.

This lack of a direct link with underlying investment values means that investment trust share prices are usually more volatile than the prices of holdings in unit trusts. Baillie Gifford missed out on the boom in bank shares which, they say, was inevitable as their main objective is to invest in smaller companies, particularly those quoted on the second section of the stock market. In contrast to Fidelity, the fund managers operate from an Edinburgh office although they travel to visit about 100 companies a year. Removed from the rumours and hot tips of Tokyo, they focus on making long-term investments based on the fundamentals. The trust's turnover last year was only 40 per cent, which is very low for a Japanese fund. This means they have to be choosy—there are only about 40 companies in the portfolio.

Clive Wolman

TOP 10 PERFORMING OFFSHORE FUNDS—1984

Fund and manager	Currency	Invest. area	Objective	Asset	Net assets	Total return (in local currency) %
1 Espac—Union Bank of Switzerland	SF	SP	GI	EQ	31.5	37.0
2 Schroder Hong Kong	HK	HK	CA	EQ	9.1	41.3
3 Henderson Earing Hong Kong	HK	HK	CA	EQ	22.7	33.1
4 Old Court Hong Kong	HK	HK	G	EQ	23.1	37.0
5 Itac—Union Bank of Switzerland	SF	IT	GI	EQ	12.2	35.7
6 Dollar-Invest—Union Bk. of Switz.	SF	GL	FI	BD	148.8	32.9
7 Korea International Trust	KW	KW	G	EQ	24033.5	32.8
8 Hamhro Special Situations	UK	UK	SG	EQ	6.8	32.7
9 Fidelity American Income Trust	UK	U.S.	GI	EQ	40.4	32.0
10 Fidelity International Income Trst.	UK	GL	GI	EQ	5.9	31.8

Source: Lipper Analytical Services. SF—Swiss Franc, HK—Hong Kong (dollar), KW—South Korean Won (or South Korea), UK—sterling (or UK), SP—Spain, IT—Italy, GL—global, U.S.—U.S. dollar, EQ—equity, BD—bond, GI—growth and income, CA—capital appreciation, G—growth, FI—fixed income, SG—small company.

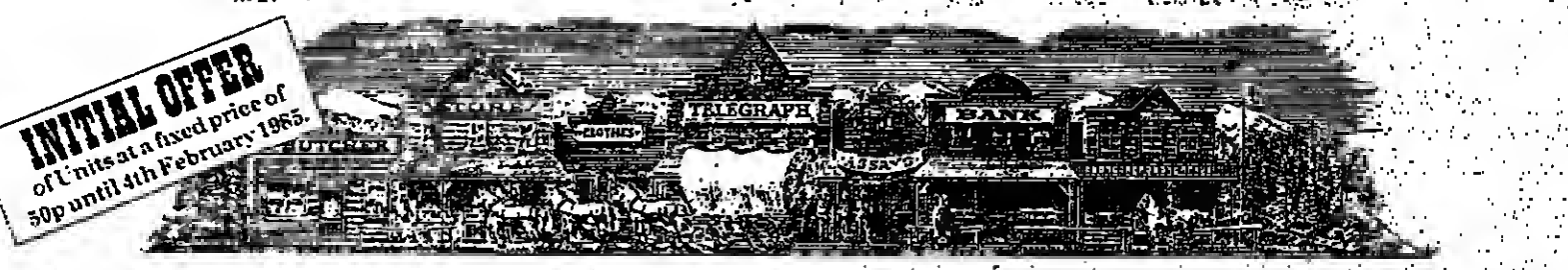
TOP 10 PERFORMING UNIT TRUSTS—1984

Trust	% rise (income reinvested)
Manulife High Income	54.2
Fidelity Japan	50.3
Gartmore Hong Kong	47.4
Oppenheimer Income and Growth	46.3
Key Equity and General	46.1
M & G Midland and General	44.3
Wardley UK	42.8
Govett Japan Growth	42.5
Vanguard Special Sits	41.5
GRE Growth Equity	41.3

Source: Planned Savings. On an offer price basis.

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Signature(s) _____ Date _____

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Applications will be acknowledged and certificates will be posted within 5 weeks of the closing date.

BOOKS

From Emerson to Fitzgerald

BY GEOFFREY MOORE

An American Procession: The Major American Writers from 1830-1930 — the crucial century

by Alfred Kazin. Secker and Warburg, £12.50 (paperback) 48 pages

The hero of Alfred Kazin's latest book is clearly Emerson. Not only does he get two chapters compared to one devoted to Henry James, but he is the volume and, through Whitman, gives it its title. Future generations, thought Whitman, would see Emerson as "the crucial beginner of the whole procession." Perhaps. But there is another procession which Whitman did not foresee — a line of American writers who do not have the subliminal optimism of Whitman's favourite "philosophy," the "Yea-sayer" extraordinary.

This would have been a more balanced book, for example, if I had given some space to Fenimore Cooper, or for that matter Whitman. Holmes, Lowell and Longfellow, instead of moving on in the inevitable progression through Thoreau, Hawthorne, Poe and Whitman to Dickinson, Twain and James.

A sort of secondary hero is that particularly American booby-rap, Henry Adams. Why so many intelligent Americans have felt it necessary to break their heads on this old bore is a great mystery. Richard Blackmur drove himself into the grave over the lack of response in Cambridge to his Adams lectures. Only Eliot, of all the American commentators, had the right idea. "There is nothing to indicate," said Eliot, "that Adams's senses either

flowered or fruited; he remains little Paul Dombey asking questions." Just so. But in Kazin he gets a chapter to himself, whereas Eliot has to share a similar space with Pound, as Faulkner does with Dreiser.

Partly because it has an axe to grind and partly because it has been cobbled together from lectures given, and articles published, over the past 20 years, *An American Procession* is highly selective and frequently repetitive. Apart from Whitman and Dickinson, there are no poets — no Robinson, no Frost, no Jeffers, no Marianne Moore, no Cummings, no Hart Crane but, above all, no Williams and no Stevens, arguably the most important American poets of the 20th century. But then, Kazin never did have much insight into poetic sensibility. Pound and Eliot get in because they are of interest to a mind concerned more with literary sociology than with literature as a discipline in itself.

This method worked well in *On Native Grounds*, which cut such a dash in 1942. For a while it seemed as if Kazin, then in his late 20s, might turn out to be the heir to Edmund Wilson. His insights were brilliant; his standards, in those dark days, could not be faulted. But, as time went on, his "moral history" and why American writers from Howells and James to Faulkner and Wolfe were "absorbed in every dark detail of their American world" and yet at the same time deeply alienated from it — a theme to be repeated by many others in the next 40 years.

Good — but where do we go from there? Kazin went on to *The Immortals* in 1955, which

—like *An American Procession*—considered, among others, Thoreau, Melville, Dreiser, Fitzgerald and Faulkner. Then, in 1973, *Bright Book of Life* treated the American novel from Hemingway to Mailer. Not exactly fops but not Wilsonian bobby-dazzlers either. The insights were still there, the occasional phrase which seemed to illuminate — as in *An American Procession*, his description of Isabel Archer as "a Katherine Hepburn in her prime." But Kazin's real talent, in his later years has been in the field of reminiscence — in *A Walker in the City*, *Starting out in the Thirties*, and *New York Jew*.

A man of letters, shall we say, then, rather than a great critic? Or more accurately, perhaps, a man of biography, so intensely preoccupied is Kazin with the personalities and social interactions of the writers with whom he is dealing. In fact — although, admittedly, it makes for narrative liveliness — he gives the impression of never having learnt that first great credo of the true critic: never to confuse the writer in his life with the writer in his work. "Everything in her life," he says of Emily Dickinson, "is in her poems" — an odd statement from a man of such intelligence.

But let us disregard this. Let us disregard also the babbling of poor Eliot because, while adversely criticising the great god Adams, he dared to steal the idea of "depraved May" from him ("Eliot was apparently a virgin when he married, and his sexual difficulties were a shock to both of them," the tremulous non-combatant Eliot!). Let us disregard, furthermore, that if



Emerson lecturing in London

Kazin's 19th century has no Longfellow, Whitman or Holmes, his 20th century has no Edith Wharton, Jack London, Upton Sinclair, Sinclair Lewis, Sherwood Anderson or Eugene O'Neill. Let us merely say — and what greater praise can there be? — that, subject-matter aside, Alfred Kazin could easily be mistaken for an Englishman, so opinionated, dogmatic and altogether provocative is he in his comments. The gulf that divides him from that earnest tribe of PhD scribblers who clutter the American presses is so great that, in his old age, he ought to come over and join us. Not that he ever would of course, because he is in his element in the invigorating cut-and-thrust atmosphere of that New York world in which he has spent all his life.

Mother tongue as she is spoke

BY A. L. ROWSE

The English Language by Robert Burchfield. Oxford University Press, 25.50. 194 pages

I find this book utterly fascinating. Rarely have I enjoyed more a learned work from which I have gathered so much. Mr Burchfield has an irresistible combination of common sense, with which to make a complex subject, appealing and reduce it to simplicity, with a lively sense of humour — he can even make an intelligible joke in the original Anglo-Saxon.

Moreover, the subject is one of the greatest importance: English has become a lingua franca rating a greater world spread than any other language in recorded history. In virtually every country in the world foreigners are learning English to enable them to speak across frontiers in a language most likely to be understood by others.

The consequences are universal: we who stay at home in the original island can scarcely appreciate how staggering they are. The curious forms of the language springing up everywhere. Of these the most important and creative are (a) the American, (b) the Australian.

All this is a matter for pride, for it is certainly a marvellous achievement. But it is more important to understand the phenomenon. Of all the main languages of the world none is more widely disseminated and more subtly silted and severed than English, and all within the space of only 1,500 years. (Chinese must have had a much longer time-span.)

As for the literature, Mr Burchfield says: "As a source of intellectual power and entertainment the whole range of prose writing in English is probably unequalled anywhere in the world." To this we must add the poetry, and take into consideration all the streams contributing to the mighty river from America, Australasia, South Africa, India, the West Indies, etc.

Mr Burchfield is well qualified to take this wider perspective. As a New Zealander who has worked for many years on the great New English Dictionary at Oxford. This magnificent achievement of scholarship was based on the entire new principle, the historical one of tracing the origin and evolution of words. The derivation almost always gives one the prime clue. As the common-sense philosopher J. R. Austin says: "A word never well, hardly ever shakes off its etymology and its formation."

So the historical approach is the sensible one: the language has moved and developed along with the basic movements of history and society, geography and furniture and interior decoration, but mountains, oceans, the night sky and the Children become.

His talents were evidently of the descriptive and literary rather than the analytic kind. Philosophy and economics meant little to him; and in politics he was something of an innocent abroad, who (unlike his grandfather) wanted neither place nor power. He even momentarily, when standing as a Liberal candidate for South Oxfordshire in 1945, thought he might win.

There is perhaps a glint now and again in the story of the gilded cage. Not till 1939 did Lionel Brett clearly grasp the folly of appeasement, though he candidly records that in the 1930s "there unquestionably existed a relationship between the cultured aristocracy and the haute bourgeoisie of Munich and Vienna and their opposite numbers in England."

After the war he plunged naturally and wholeheartedly into the world of architecture, town-planning and New Towns, and travelled almost from China to Peru lecturing for the British Council. As an architect and planner, with projects from Hatfield to Corsica and Caracas, he certainly suffered more than his fair share of ill-luck.

Finally to cap it all, he bravely became head of the Royal College of Art in the 1970s — not long before the militant buffoonery of "student revolt" had spread from North America to South Kensington. Like a true English Liberal, he confronted this crazy extremism with sweet reason, and — improbably — after a month or so of anarchy, prevailed.

Most readers will finish his autobiography with the sense that they are being told the truth, even if not the whole truth. They may also surmise that what held so many diverse strands together in so active a life were the presence of the author's family and the high Chiltern beechwoods at Watling.

and ethics—Anglo-Saxon, Norman Conquest, Renaissance expansion, and so on.

Mr Burchfield tells us that, today, "historical grammarians have been driven on to the defensive. In many universities synchronic transformational/generative grammar rules the roost. It remains to be seen whether the complicated new rules can be transmitted to the educated general public." He evidently thinks not. But how, like our time, when intellectuals are engaged in making things more complicated when it is our business to make them simpler and more intelligible.

It is refreshing to hear Mr Burchfield speak out with authority and consequence, where there is so much useless theorising. "The origin of language is unknown and all theories about this problem are spurious." I distrust theorising, whether about history or language, sociology or economics. The sacred name of Wittgenstein is invoked, but I do not genuflect at it.

Of other fashionables dealt with there are the Chomskys; their fundamental weakness lies "in the failure to produce a grammar of English that can be consulted as an aid to the disentangling and ascertaining of the language that lies about us. They have taken the subject beyond the reach of intelligent laymen"—in one word, useless. Mr Burchfield wins our confidence by his commonsense, his realisation that the developments of language are largely "un-governable" and his trust in the practical intuition of native speakers rather than exotic theorists too clever by half.

Rather oddly, Mr Burchfield is unexpectedly hard on the new versions of Prayer Book and Bible. He cites Eliot's objection to the modernising of "Neither cast ye your pearls before swine" into "Do not feed your pearls to your pigs." Though engaged in simplifying Shakespeare myself I agree that this version should be more conservative. For contemporary people we simply have to simplify, but the proper principle is merely to remove difficulties. We all know the meaning of "cast" and "swine"; it was unnecessary therefore to change them, and I would suggest more conservatively, "Do not cast your pearls before swine."

Mr Burchfield's authoritative and suggestive book is based on a lifetime's work on the incomparable *New English Dictionary* — apparently no other language has quite such a work. After deriving so much pleasure, and learning so much, from this book I should like to read similar treatments of (a) Russian, (b) Chinese. I bet they don't exist.

Architect's full and varied life

BY DOUGLAS JAY

Our Selves Unknown by Lionel Brett. Victor Gollancz, £12.95. 188 pages

"Autobiography," says Lionel Brett (the present Lord Esher) at the end of his book, "is the art of the half-truth. It cannot for example tell the whole truth about either of the things that matter most—other people and the heart's affections." To tell convincingly the complete truth, private and public is something few autobiographers have even attempted; and this limited record largely succeeds because the author refrains from attempting it.

Lionel Brett's grandfather was the celebrated, or notorious, Lord Esher of Edwardian days, friend and confidant of Edward VII. George V, Rosebery, Balfour, Asquith, Joe Chamberlain, Lloyd George, Kitchener and Haig; the only man, surely, in English history who flatly declined invitations to be Secretary of State for War, British Ambassador in Paris or Viceroy of India. "Place" he once said, "is not synonymous with power." In the present more inquisitorial age he would have been accused of wielding power without accountability.

The next Lord Esher, Lionel's unambitious father, wit, dilettante and practised committee-man, devoted much of his life to the National Trust, the Society for the Preservation of Ancient Buildings, and the cause of conservation generally. Lionel Brett himself moved happily through Eton and Oxford in the 1920s and 1930s with mounting academic success. Like so many of that generation, he voted at the Oxford Union in 1933 against fighting for King and Country, ceased to be a pacifist in 1938, and fought through the Normandy campaign and on to the German surrender in 1945. His natural bent was for the art world, partly no doubt thanks to his upbringing, but also because his own ruling passion was for the

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Samuel Goldwyn—how many of his sayings were by him?

Goldwynisms

Competition Report by ANTHONY CURTIS, Literary Editor

"Goldwynisms! Most of them are so dumb they leave me speechless. I promote the lot of you to the bottom of the class..." as the man himself might have said. Actually the task of coining new Goldwynisms, the theme of our Literary Competition (FT, December 22), proved to be rather more difficult than it looked. As I see it, a Goldwynism is a statement which, while containing a flat contradiction in logic, makes a strong appeal to common sense. In this it differs from a malapropism ("He is the very epitome of politeness!"), where the keyword has been replaced by one which sounds similar but means something quite different. This was a point which some postcards, out of a gratifyingly large entry, did not fully comprehend.

Goldwyn's celebrated howlers, collected in Patrick Hughes' *More on Ozymorion* (Cape, £7.95), were as much a part of a now vanished Hollywood as were Wilde's epigrams of fin de siècle London, and I am grateful to several readers for personal memories. They point out, as Mr Hughes does, that even the earliest Goldwynisms were not all the work of the master. They were, writes Laurence F. Bachman, "manufactured to afford the maximum free publicity—just as was done with Henry Ford—by clever publicists. Among the most brilliant was Goldwyn's early publicity director, Howard Ditzel." Mr Bachmann also provides a glimpse of Goldwyn's everyday manner, confronting "one Wallace Smith whom he had hired to write screen-plays. 'What are you doing?' he asked."

"Thinking," replied Smith. "Don't waste your time thinking," Goldwyn said. "Just write."

"Before Smith could recover," Goldwyn entered the office, picked up a new pencil, ran his finger to within an inch of the end, and said: "When I come back, the pencil should be up to here."

Another reader, Steadman Fowler, adds a further anecdote, saying: "I have every reason to believe," he writes, "they are absolute originals as recounted to me by my father who got

them from his brother who was with Goldwyn in the early days." They are: "One man's meat is another man's meat", and "Remember, I do things my way." And Mr Fowler adds: "I understand that contrary to popular belief, G was an exceptionally witty man with a good command of English."

But now I must turn to the new Goldwynisms. Inspired by the competition. Sometimes real life provides one, as it did to Alan Fisk when he was walking along Regent's Street: "Yes, that was the best thing he could do, but he couldn't do it." The first prize of £50 is won by Harry Cohen-Spearing. The Garage House, Willand, Devon, EX15 2RQ for "Astronauts making it easy, tack by tack."

The three other readers who are quoted above will receive copies of *More on Ozymorion* as will the following, who are all runners-up: We sent him to Coventry in *Mattina* (V. N. Petty); The bias I couldn't understand were an education (Mrs J. Richards); My doll, corner in three times a week (Miss Vivienne Painting); could sense my inertia-breaking through (L. D. Tunks); The whole panoramic needs limiting to a narrow field (J. Patterson); She's going through in a female version of the male menopause (Gilbert Adair); In this business the front office is right behind you (Peter Young); Suicide is a sport (George Wigham); That sort of double entendre means only one thing (G. J. Hamilton); Port's not really my cup-of-tea (John London); If Arthur weren't striking he would only be making a nuisance of himself (T. E. W. Widdows).

I am sorry if your entry did not win a prize but here is a quickie to end with — What did William Shakespeare and Samuel Goldwyn have in common?

If you said they were both great showmen — one point; if you added, who took a large supply of the words into themselves — another two points; for a further ten points, for a further ten points, I wanted you to say that both were the sons of glove-manufacturers.

Crime waves

BY WILLIAM WEAVER

Fillipinos, various romantic entanglements, largely Lesbian — and all set in Seattle. It does not sound like your ideal recipe for a murder story; but Barbara Wilson writes with flair and feeling. Her attitude towards her characters and towards her story is affectionate, sympathetic, but not sentimental. The mechanics of the plot — which has an unusual number of moving parts — never jam.

A large estate has been developed, and a cul-de-sac of small, respectable villas is one result. The former great house is now a home for the elderly. After a first-rate debut (*Strained Relations*), Alison Cairns, in this second novel, again shows remarkable skill at creating an enclosed world, rich in tensions, affections, passions. The inhabitants of Redland Way range from nice to nasty, and the author makes each of them, even the least important, distinct, thanks to keen social observation. The nearby Home is a constant reminder of death and dying; still the murders, when they come, are shocking. They are solved, not easily, but intelligently.

Murder in the Collective by Barbara Wilson. The Women's Press, £7.50 (paperback £3.50), 181 pages.

A group of feminists, a print-

ing collective, some clandestine

Fillipinos, various romantic

entanglements, largely Lesbian

— and all set in Seattle. It does

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Fiction

Making it at the Ministry

BY NICHOLAS BEST

Star Turn by Nigel Williams. Faber, £9.95. 314 pages

The Duchess's Diary by Robin Chapman. Faber, £8.95 (£2.95 paperback). 127 pages

Slow Fade by Rudolph Wurlitzer. Picador, £7.50 (£2.50 paperback). 211 pages

Made for Each Other by Virginia Ironside. Hamish Hamilton, £7.50. 156 pages

Amos Barking, the narrator of Nigel Williams's *Star Turn*, is an incorrigible liar, so it seems only sensible that he should be his hit during the Second World War as a press officer at the Ministry of Information. In between discussions with Churchill (if he is to be believed) and bombing runs over Dresden, he has plenty of time to sit back and write his autobiography — the life and improbable times of an East End kid made good.

So good that they know him at the Ministry as Henry Swansea, a public school sort of chap, worlds away from the scrawny eight-year-old who attended nature class with D. H. Lawrence and later stowed away with his Jewish friend Zak in a basket of exotic underwear destined for Field Marshal Hag in France.

Worlds away too from the young man who beat off the libidinous advances of Proust's chauffeur, flirted politically with Palmé Dutt, visited Freud in Vienna, knew the secret of Ramsay MacDonald in women's clothes and, sensible fellow, hit Virginia Woolf — hard.

An eventful life, not entirely

convincing, not meant to be either. Nigel Williams is a clever writer, best known recently for his television series *Charlie and Johnny Jarvis*. In *Star Turn* he has written a peculiar book, difficult to get to grips with, partly at least because it falls between several different stools. It is neither satire, nor farce, nor historical novel, nor anti-war polemic, although it is all of these at times. The author seems uncertain of what he is trying to do, too close to his material perhaps to get the overall picture.

No problem getting the picture with Robin Chapman's *The Duchess's Diary*, a historical novel of sorts, but far more intelligent than most. First published five years ago, re-issued now with minor alterations, it tells the story of a mad noblewoman in 17th-century Spain who is convinced that she is the model for Cervantes's *Don Quixote*.

There are certainly minor similarities between herself and the character in the book, and it is true that Cervantes was the Duchess's house guest for three months while writing it, but was he really "kind to her in person, vile in ink," as she alleges? And is her husband truly justified in locking her away first in a hunting box, then in a nunnery, and seeing to it that she is regularly purged by the doctor and whipped by the chaplain?

In fact the answer does not matter, for this is not so much a literary detective story as a loving recreation of Cervantes and his world, a world the author knows almost as well as man living. *The Duchess's Diary*

falters slightly towards the end — the plot is too slender for the narrative — yet comes across all the same with imagination and flair.

Rudolph Wurlitzer's *Slow Fade* is a novel about Hollywood people, set on location rather than in the snapshots of Beverly Hills. The slowly fading director of the title is Wesley Hardin, a Western specialist whose work used to be up there with the best of them, but who has been sacked from his latest production because he is over budget and personally no longer in control.

Both his children have dropped out of the Hollywood scene and gone to India to enjoy the simple life. Walker Hardin returns, unwilling to talk about the disappearance of the hippy trail of his sister Clementine. As an oblique way of getting at the truth, rather commissions son to write a screenplay about his Indian experience, an occupation she has clearly allowed to spill over into her fiction. Viola is the somewhat vapid heroine. The day after her mother dies, she meets bailing Jan in a bank and allows him to pick her up. They go out to supper and compare birthdays. His is in August, hers is in August too. Their knees touch on page 28, everything else on page 31.

Jan, it transpires, is seeing Another Woman. What a rotter. Viola is shocked, but allows him to go on doing what he likes. Later she puts her foot down. Her or me, she says. Her, he says. Trivia poured out of my mouth like breakfast cereal out of a packet," she says. She was right.

As Hollywood novels go, *Slow Fade* has a more original plot than most. The author is himself a screenwriter and clearly knows his stuff. But the storyline does not hang together as well as it might. Two parallel themes proceed in tandem without ever touching and without coming together at the end in any meaningful way. This is a nice try, good in parts, yet not quite sharp enough to be the real thing.

part of the world they're set in; and anyway, their point isn't the action but the way they're put across, conceived and expressed.

Original, exact and right, in a still, unspoken manner, with much implied through what look to be simple means, its quiet, unhurried, easy-looking style reminds me of the paintings and drawings of Gwen John.

Belfast today, thick hatreds impossible to understand because bred from infancy, violence of spirit that can accommodate no decency, human behaviour without what we consider humanity; the clump of bombs, wall of sirens, slamming of vicious doors. Set in all this, with religion made a hideous excuse for viciousness. M. S. Power's *The Killing of Yesterday's Children* is so oddly Greene-like in tone that when he mentions *Brighton Rock* and the Boy it seems almost too obvious.

For there's a boy of sorts in it too, a killer though redeemable, a simple sweet girl who loves him, a background of



Nigel Williams: script-writer's fantasy here

Virginia Ironside, author of *Made for Each Other*, is an agony aunt on *Woman Magazine*, an occupation she has clearly allowed to spill over into her fiction. Viola is the somewhat vapid heroine. The day after her mother dies, she meets bailing Jan in a bank and allows him to pick her up. They go out to supper and compare birthdays. His is in August, hers is in August too. Their knees touch on page 28, everything else on page 31.

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curious religious rites with a Mexican background, a saintly old sinner called Mr Apple, murder, doom, sexuality, unrequited love and goodness, always a bit simple-minded, and a plain honourable man dishonourably treated by wife and circumstances.

Too much is packed into the space available, the familiar and the exotic are too abruptly combined, the point of this or that image or idea is often pressed too forcefully. Modern reality can be the stuff of fiction but it's hard to avoid making spirited journalism out of it. There's talent here too but ill-organised and derivative so far.

The latest volume in the series *Writers at Work* edited by George Plimpton (Secker and Warburg, £12.50, 414 pages) includes interviews with Rebecca West, Stephen Spender, Tennessee Williams, Bernard Malamud, Kurt Vonnegut Jr and Nadine Gordimer. All the interviews appeared originally in *The Paris Review*. There is an introduction by Frank

Growing up in a trouble-spot

BY ISABEL QUIGLY

The Captain's Paramours by K. Arnold Price. Hamish Hamilton, £8.95. 182 pages

The Killing of Yesterday's Children by M. S. Power. Chatto and Windus, £8.95. 285 pages

If ever I read an under-rated writer it is K. Arnold Price, but then she hasn't published much in hard covers to be rateable: a haunting novel called *The New Perspective*, not noticed as much as it deserves, is all I can trace. Yet she isn't a new writer, has been writing, in surprising obscurity, since the 1940s. *The Captain's Paramours* is short stories, but the

first half (seven stories) could almost be called a novel, taking seven more or less consecutive moments in a life, with the same place and the same characters throughout.

An Irish boy is narrator, an only child in a sprawling house called Ballygallon House or Quin's castle, depending. On what? The boy's eye-level, of course, which gradually shifts as he grows older and takes in what's around him: the games adults play, fear, sensuality, hypocrisy, joy and glory, pipes and ballads, beauty in nature, in women, in particular moments.

The second half consists of stories with varying but again Irish backgrounds, mostly rural: the country girl the local lads won't marry, who leaves for London and gets murdered; the secretive girl whose secret is really social difference, so that the other girls don't like her; the man who never managed to marry and when he wants to find a friend girl, the man who, losing the girl he wants (again to England) marries her mother. If marriage forms a central part of most of them

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John, it transpires, is seeing Another Woman. What a rotter. Viola is shocked, but allows him to go on doing what he likes. Later she puts her foot down. Her or me, she says. Her, he says. Trivia poured out of my mouth like breakfast cereal out of a packet," she says. She was right.

HOW TO SPEND IT

by Lucia van der Post

Are you sitting correctly?

BACK problems have probably been around ever since man first lumbered on to his feet and nobody who has ever suffered back pain has ever convincing that it's a serious matter. Those who have been lucky enough to escape may find it hard to believe that some 20m working days a year are lost through back pain, that it costs the nation over £1,000m a year and that 80 per cent of us are liable to suffer from it at some point in our lives.

Until fairly recently those with intractable and mysterious pain for which there seemed no obvious medical solution had nowhere to look for support except the small ads of magazines and a few shops which stocked a few disparate aids. Last June Lisa Quine, who had suffered for years from back pain, decided to open a shop that would sell under one roof a whole range of equipment that would help alleviate or prevent pain.

She calls her shop The Back Store and it is to be found at 324a, King Street, Hammer-smith, London W6. There you can find everything from aids for helping you to pull on tights or socks, head pads and bed elevators, to long-handled household and garden implements that allow these chores to be done without bending over.

In her shop you can browse through the shelves for books on how to cope with back pain, you can buy pillows or lumbar support cushions for the car and, above all, you can take your choice from any number of chairs that the Norwegian manufacturer, Hag, has designed with precisely these problems in mind.

The whole group of chairs goes under the name of Balans. There are a large number of different seats in the range, but together they offer the most comprehensive aid

serious attempt to deal with the problem radically.

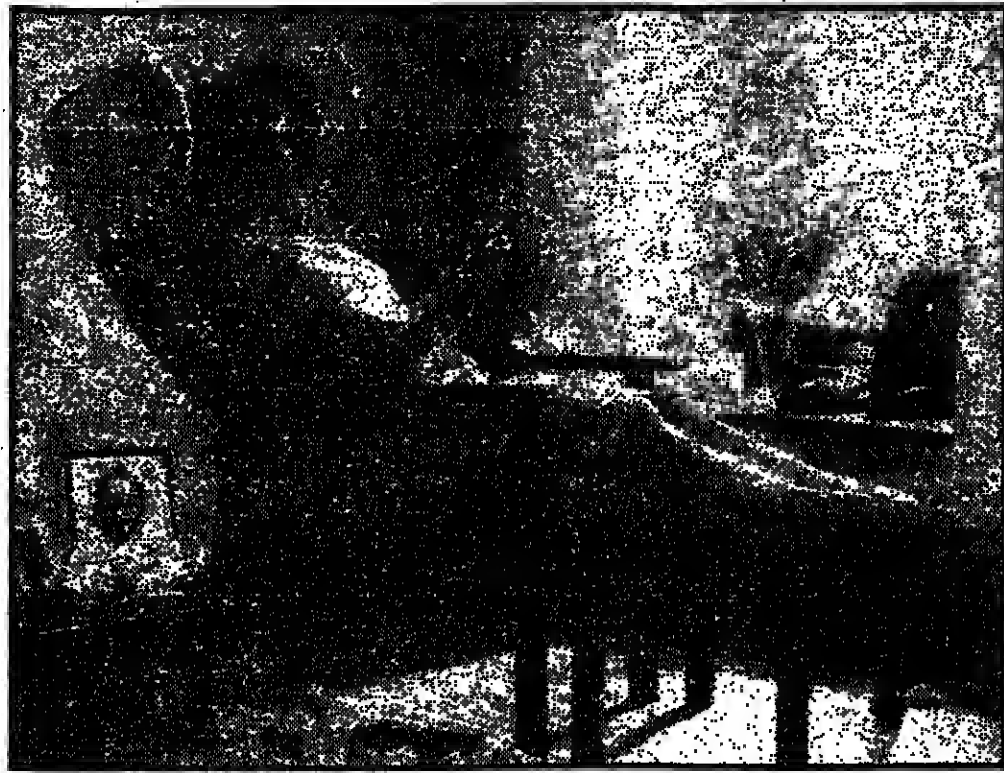
Balans chairs were developed by a group of Norwegian designers who started by observing how children sit at play—usually they sit on their heels, keep their backs straight and their muscles relaxed, the result being a naturally balanced position that is more or less perfect for the spine. Most adults, by contrast, sit in chairs which cause the torso to bend 80 degrees at the hip—the longer we spend doing this, the greater the stress on our lower backs.

The designers of the Balans chair decided that they ought to design chairs which would fit the body and help it to adopt a naturally balanced position. On chairs like the Balans Variable the torso only bends at a natural angle of 80 degrees, thus saving the extra, "unnatural" 30 degree curvature, keeping the spine more or less vertical and keeping pressure off the inner organs.

Just two of the Balans range are shown photographed here—on right—the Mobil and the Vital versions.

Shortly after Lisa Quine opened her shop, John Varley, an osteopath, frustrated by his patients and his own problems in finding suitable products all under one roof, opened The Back Shop at 24, New Cavendish Street, London W1. The shop is staffed by SRNs but, of course, no attempt is made to diagnose back trouble, advice is merely offered on which of the products will help alleviate the pain in a practical way. Like Lisa Quine, John Varley sells a big selection of Balans chairs.

He also sells the Labofa chair, which is really described as a working chair, specially designed for those who have to sit for long hours at desks. It comes in various fabrics, with or without arms but its prime virtues are the variety of posi-



The Flemming chair by Parker Care, shown in semi-reclining position with matching footstool and optional wings and padded neck pillow, prices from £220

tion and of support it offers—the height can be adjusted, the back of the seat, too, the back rest can be raised or lowered, the seat has hydraulic springs which compress slightly to give the seat some "give". Prices start at £280.

He, too, sells a range of car seats, lumbar supports, heating pads and ice packs as well as inversion therapy (which sounds very alarming—you are strapped to a device which enables you to hang upside down, but it's alleged to be very therapeutic).

Further comfort for back sufferers comes this month with a new chair made by Parker Care, a subsidiary company of the upholstery manufacturer, Parker Knoll. It is called the Flemming Chair and it gets its name from Flemming Hvidt, a Danish designer, who decided in midlife that he wanted to do more for humanity than his current activities seemed to offer. He turned from design in what he now calls derisively "fashion" furniture, to work more closely with physiotherapists and geriatricians, to pro-

duce the ultimately adjustable and supportive chair.

At this stage Parker Knoll heard about the chair and got the licence to manufacture it in this country, forming a special company, Parker Care, to market it.

The basic concept behind the chair is that every single person is different and that to meet their specific needs a chair should be made to measure. As Parker Care points out, "now many people find themselves saying that their own armchair

would be perfect if only... the seats were not so deep, if the back were higher or lower... if it gave better support" and so on.

The Flemming chair is therefore made to measure. One hundred Parker Care centres have been set up in 100 different furniture shops to cope with the individual attention this requires. At each Centre there is a trained member of staff to assess the needs of the customers and measure them individually using the Parker Care Measuring Chair

in the centre. Height and depth of the seat and the angle of the back that the customer requires are all carefully measured and the results passed onto the manufacturing company where the chair is made.

Several extras can also be ordered—things like a padded neck pillow, upholstered arms, adjustable leg rests and so on. Those who have difficulty in getting out of the chair can also have either an adjustable spring or an electric motor added to help them on to their feet.

As you can see from the photograph above left, the chair is not especially glamorous or exciting to look at. It is, however, fairly simple and classic and already in signs are that those who have back problems are so relieved that help is at hand that they would buy it almost whatever it looked like.

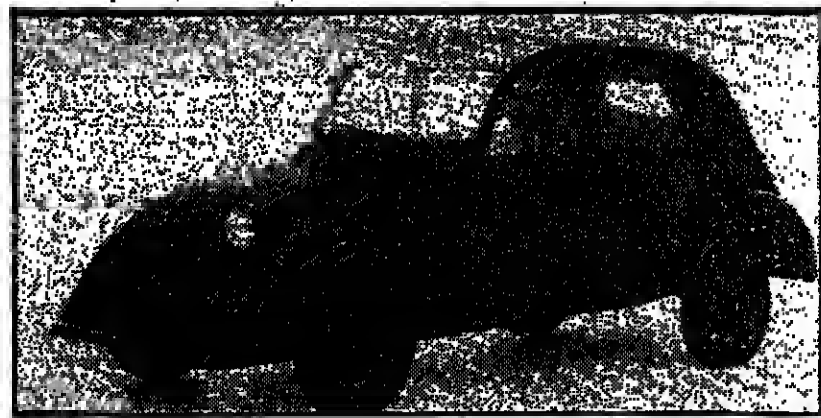
The basic price of the chair starts at £220 and anybody wanting to know the name of the nearest Parker Care Centre should write to Ken Mahoney, Parker Care, PO Box 22, Froy-moor, High Wycombe, Bucks.



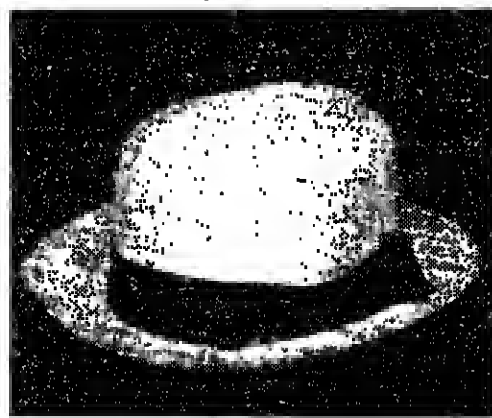
The Balans Vital seat, left, and the Mobil, right, come in a choice of coloured upholstery, from £155 each, from The Back Store

Designers' Choice

A look at some lasting lines



ABOVE: the Deux Chevaux motor car, engineered by Pierre Boulanger, for Citroën first appeared in 1937 and the basic design remains in production to this day. Originally the design was intended only to carry 50 kilograms of luggage and two passengers at 30 kilometres per hour.



TOP: the traditional Panama hat is an example of vernacular design, evolved over the years. From Herbert Johnson of London. A true Panama can be rolled up to fit into the pocket, unrolled, and worn without any deformation.



ABOVE: 'Joseph' chaise longue designed by Brenda Saunders and manufactured by Connaught Furniture, First Avenue, Weston Road, Crewe, Cheshire. Available in a choice of colourways—grey and pink or grey and turquoise, £495.

RIGHT: the 'Zippo' lighter, designed in 1932 is a refinement of a cheap Austrian product by George Blaisdell, a Pennsylvania oil man. The name reflects Blaisdell's fascination with the then new zip fastener, and 'Zippos' were favourites with American servicemen in the Second World War.



ABOVE: the Opinel pocket knife was designed in 1890 by the Savoyard craftsman, Joseph Opinel. First made for personal use, it was so admired that he went into production. The knife is still made to the original design with a simple sliding collar to lock the blade.

sources described as "various"—so much for the view that the British understand least about good design.

The products range in date from the 17th century (Wedgwood cup and saucer in the "Bute" shape) to at least 12 products that first appeared in 1984. Along the way it takes in such classics as a Herbert Johnson Panama hat and an L. L. Bean cotton Oxford shirt.

Some of my own favourites are undoubtedly not there (why not Kellin, surely one of the most enduring of pleasing artefacts ever made, my No. 5 Shaker furniture, no. 10 Thonet bentwood chair—indeed why so little furniture at all?) but at least the exhibition makes one stop and think and, above all, look.

For those who are interested in what Britain in particular has been up to recently, Design Review '85 at The Design Centre at 28 Haymarket, London SW1 features some 1,500 products that were agreed

by the selection panels to have the sort of intrinsic qualities that warranted them being allowed to sport the Design Centre label.

It makes an interesting cross-section (not least, as the press release points out, because of the omissions—where are the British microwave ovens, the coffee machines, the luggage and the sports equipment?).

One of the most visually exciting of the products was the Brenda Saunders upholstery developed for the "Soft Centres in Wool" venture that I mentioned a few weeks back. See her dramatic chaise longue photographed above. There are also two chairs in the same style, which cost £295 each and are available like the chaise longue direct from the manufacturer, Connaught Furniture in Cheshire.

Exciting, too, to see Britain enter the ski manufacturing market—Vielhaber Skis are made in Aviemore and word has it that at least two world-

class skiers (Craig Clow, 1984 freestyle world champion and Mike Whaley, 1984 freestyle European champion) are so impressed with them that they have been using them for the last two years. The range costs from £189 to £255 and can be found in leading ski shops in major towns. You have until Saturday.

February 23 to see this exhibition and after that it goes to The Scottish Design Centre, 72 St Vincent Street, Glasgow, March 19 until April 13.

BRIDGE

E. F. C. COTTER

THE FINESSE can be a very present help in trouble, but the declarer must be alive to what is the right finesse and take it at the right time. Let us look first at Hand 1 from a team of four match.

South dealt at game to North-South, and bid one spade. North forced with three diamonds, and raised the opener's rebid of three spades to four spades. South now made an intelligent bid of five clubs, which encouraged North to bid six spades.

West led the best Knave, won with dummy's Queen, and trumps were drawn with Ace, King and Knave. Now a club was led from the table, and the Queen was finessed. This lost to the King and, with no way of avoiding another club loser, the declarer went down.

In the other room South also reached the spade slam, and the first four tricks were the same. But this declarer, instead of being hypnotised by the direct finesse in clubs, saw that another finesse, an indirect one, was possible in diamonds.

At the first trick a low diamond from dummy's East won with the Queen, and switched to a club, but the declarer took with his Ace.

King was ruffed in hand. After drawing trumps with Ace and King, the declarer led his diamond Knave and ran it. East won with the King and returned a diamond to the Queen. South cashed dummy's club King, led a low club, finessed the Knave, and lost to the Queen. That was one down.

The declarer played without understanding. East, who had passed second in hand, had shown up with Ace, King, Queen of spades and the diamond King—how was it possible for him to hold the Queen of clubs? At trick eight, after winning East's diamond return, South should cross to hand with a trump, and lead the Knave of clubs. He knows that West must hold the Queen, so he plays East for the ten. West covers the Knave, the King wins, and then the nine in hand.

Hand 1
N
♦ J 7 6
♦ A K Q
♦ A K 8 7
♦ 9 4 2
S
♦ 9 3 2
♦ J 10 8 5
♦ 10 5 2
♦ K 10 5
E
♦ 8 4
♦ 7 3
♦ 9 8 6 3
♦ J 8 7 3
W
♦ 10 9 8 5 4
♦ 7 3
♦ 8 5 3
♦ Q 8 7
S
♦ J 3
♦ A K Q 10 6
♦ J 4
♦ A Q 8
Hand 2
N
♦ 7 6 2
♦ J 9 8 4
♦ A Q 7
♦ K 5 2
S
♦ 10 9 8 5 4
♦ 7 3
♦ 8 5 3
♦ Q 8 7
E
♦ A K Q
♦ 5 2
♦ K 9 6 4
♦ 10 6 4 3
W
♦ 10 9 8 5 4
♦ 7 3
♦ 8 5 3
♦ Q 8 7
S
♦ J 3
♦ A K Q 10 6
♦ J 4
♦ A Q 8

is finessed. Contract made. This is called the Backward Finesse—a finesse which occurs more frequently in defence. Defenders can spot the need for this finesse more readily than a declarer.

Both our leading chess publishers, Batsford and Pergamon, have just issued new Karпов books authored by the great Russian and concentrating on his recent career. Chess at the Top (Pergamon, 194 pages, £5.85) is a collection of 50 of the champion's games from the years 1975-84, annotated deeply by Karпов and including all 18 of the 1981 Korchnoi match. Learn from Your Defeats (Batsford, 106 pages, £5.95) has

an unusual approach. It gives all Karпов's 22 losses since becoming world champion in 1975, and the corresponding game where the winning opponent was defeated later. As usual, the statistics are impressive: Karпов has averaged 28 of the defeats, and he has yet to meet the other four opponents again.

Losses are such rare episodes in the Karпов lifestyle that it is entirely plausible that they motivate a burning desire to level the scores. Karпов's tournament record, displayed in the Batsford volume, reveals the striking fact that since 1986 (aged 15) he has never lost more than six games in any calendar year. His grand total of losses in these 18 years is 60 games out of 1,005, a mere 6 per cent. Thus the philosophy of Learn from Your Defeats compares with Capablanca's My Chess Career, where he also analysed his entire lifetime defeats to date.

Karпов says: "How do I relate to these losses? Calmly. I try to understand all the subtle causes of the defeat and strive for revenge." A significant case is his famous 1 P-K4, P-QR5 loss to Tony Miles at the 1980 European team championship.

Karпов heads the game "Incorrect Opening" and notes that, after it, "many people thought they could beat me if they adopted an 'original'

opening strategy... in my next seven games with Miles, the British GM also tried to undermine the centre from the flank, but he only managed to achieve a single half-point."

Although in terms of pence per page the Batsford production is only half the value of its rival, the material is presented in a more interesting way. Both books are weak on revelations about Karпов the man—you could not guess that the world champion was married and divorced during the years covered. Either he claims up to an unacceptable extent for volumes with an autobiographical slant, or he really is a cold fish.

During the Merano commentary in the Pergamon edition, he refers to "Korchnoi's tactless behaviour... enough to upset anyone... perhaps after Merano it will be understood why certain GMs (including myself) avoid playing in the same tournaments as Korchnoi." This sentence is printed almost a year after the Karпов-Korchnoi handshake at the start of their game at Phillips and Draw/GLC 1984.

But despite any weaknesses, both new Karпов books merit a place in every serious player's library. The champion's game does not quite have the limpid clarity of Capablanca, but it still is based on the classical harmony of forces and direct

ing operations from a sound tactical base, the most valuable style to take as a model.

Karпов knows his chosen openings in great depth and can utilise earlier experiences to focus on a decisive improvement. See as examples his televised wins over Seirawan and Rogers analysed in the Pergamon book. In a significant phrase, he attributes his poor run against Korchnoi near the end of the 1978 match to overconfidence, not fatigue: "I'll never make that mistake again." Probably, we have seen the aftermath of Korchnoi's 1978 recovery in Karпов's minimal-risk approach at the 1984-85 series in Moscow.

McNab (Scotland) v Timman (Netherlands), Salonica 1984. An apparently level rook end-game, which seemed even more drawn after the natural

moves 1 K-B3, K-B2. What did the players miss?

PROBLEM No. 532
BLACK (10 min)

White mates in two moves against any defence (by J. Haring, 1877). This problem was a prize competition during the Tilburg grandmaster tournament. Some 800 solvers sent in answers, 350 were wrong.

Solutions, Page 22

Valentine Bouquet
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PROPERTY/MOTERING

House under offer, subject to dither

BY JUNE FIELD

THE SAD tale of Arundells in the West of Salisbury is a historic cathedral close highlights the unsatisfactory subject-to-contract system of selling property badly in need of reform.

David Booth-Jones's late mother's home was for sale in July, offered for in August, the sale fell through in December and the house is now on the market again.

Why do agents and vendors hold on so long before taking any action? "Quite simply because if one is offered a good price one wants to give a prospective buyer every chance to go ahead," says Christopher Lacey of Savills, Salisbury, who is handling this property.

How can keeping a place off the market for four months be considered a good business? Surely it is both reasonable and necessary for vendors to oblige up their agent and solicitor to make sure that a deal is progressing satisfactorily. I would issue an ultimatum having a deadline-date by which contracts must be exchanged. After all these are the people that are acting for you, and whom you will be paying for their services. And as far as the solicitors are concerned, they will undoubtedly be charging something for their abortive work.

Fortunately there is considerable interest again in Arundells, a listed Grade II four-bedroom, three-bathroom house in a secluded setting among other venerable dwellings where canons, choristers and chantry

chaplains used to live. (The peaceful privileged ambience is apparent as soon as one drives through the close gates which are locked at 11 pm by the Cose Constable. Residents have their own keys.)

Arundells originated from the Middle Ages, but was largely rebuilt in the 17th century by Sir Thomas Mompesson. It got its name in 1739 when it was leased to the Hon. John Everard Arundell who married Ann the daughter of the previous lessee, John Wyndham.

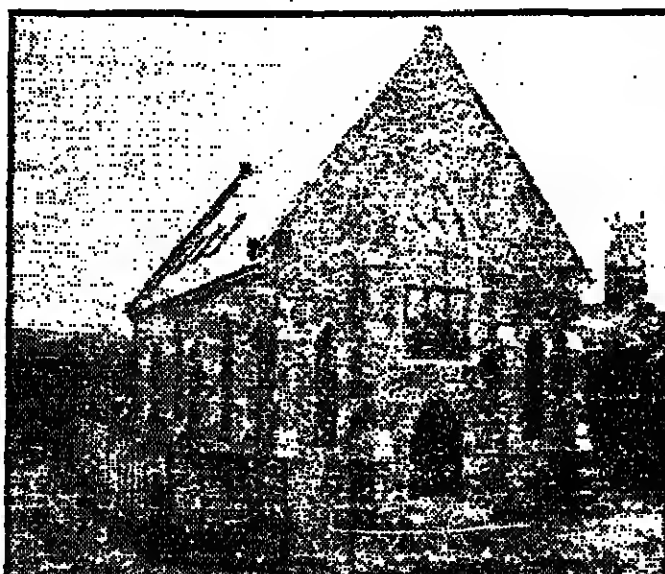
The house was extensively renovated in 1964, when a large Victorian drawing-room was demolished. The base forms a terrace, from which I walked out from the gardens that go down to the River Avon, where one can fish from the bank. Out of the front windows the views of the 404 ft cathedral spire, the tallest in England, are awe-inspiring.

The guide price is £250,000 for a new 60-year full repairing lease from the Dean and Chapter of the Cathedral Church of the Blessed Virgin Mary of Salisbury, the full title of the majestic cathedral built 1220-1238 in Chilmark stone and Purbeck marble.

As an alternative, Mr Booth-Jones is prepared to offer the residue of the existing lease, 10 years, on a guide price of £50,000. This would obviously entail loss of a capital outlay, but the new lessee would have to do his own negotiating for a longer lease.



Arundells, in The Cathedral Close, Salisbury, on the market again through Christopher Lacey, Savills, 60 Milford Street, Salisbury, Wiltshire (0722 20422)



Victorian Congregational chapel, Ugborough, near Ivybridge, Devon, has been converted into two houses. The first three-bedroom unit to be ready is £50,000 through Simon de Boinville, Clifton (01-491 2768), and Michelmore Hughes (0803 865116)

To give an idea of what close properties in good condition fetch, sold last year at well over the asking price of £130,000 for a 140-year lease, was Braybrook House. This was part of the Choristers' School until it moved in 1947 to the Bishop's Palace.

The properties grouped around the cathedral are mostly leasehold, and prices depend on the state of the property as well as the length of the lease. Also on offer is 9, The Close, again where there was a taker who, according to Savills, "got within an inch of exchanging contracts and then withdrew."

A new 60-year lease is now on offer at £100,000, a reduction on the original terms, as the Close architect Jeffrey Ashenden has since drawn up a schedule of repairs which could cost up to £25,000.

Just on the market is the Gate House on the North Canonry, recently restored. It is being offered by Salisbury agents Myddleton and Major, together with Savills, at £140,000 for a 99-year lease.

The ground rent for most of these houses appears to vary between £300 and £500 a year, and the rateable value is anything between £300 and £700. Curiously, in all the details I have of these properties, no actual worked-out figure for rates is given. Present rate for Salisbury is £1,290 in the £, which an agent had to look up for me. I suggest that recording the actual payable figure of rates and updating it on the turn of the rating year at the end of March, is something agents in general are remiss about.

● The William and Mary one-time Parsonage House to All Saints' Church, Warrington, Surrey, with views over the village green and the glebe fields, yet only three miles from the M25, has a guide price of £150,000 through Balaam, Lewis, Boardman, Thorpe and Partners (08833 2375). Being offered by the Diocese of Southwark, the five-bedroom red-tiled vicarage with a staff apartment needs some updating.

● Prebendary Edward and Mrs Shatter are selling their restored Georgian vicarage in 4½ acres in Shropshire, Norfolk, on offers in excess of £140,000. Most of the seven bedrooms have original Victorian fireplaces. Details from Jane Dazeley, Savills, Cambridge (0223 844371).

A tiger defeated by snow

BY STUART MARSHALL

IF SHEER delight is giving a BMW M535i its head on an unfettered autobahn, total frustration is trying to use it in the kind of weather we have had in the South East recently.

The specification speaks for itself. A BMW 5-series four-door saloon with a 3.5 litre in-line six of legendary smoothness and virility. Couple this with a choice of 5-speed close ratio or high top manual gearbox, or 4-speed switchable overdrive automatic, and one has the recipe for a 140 mph-plus, 0-60 mph in seven seconds supercar for grown-ups at a reasonable (£17,950) price.

On wet or dry roads, you couldn't wish for a better car. Tigerish fast, utterly secure in corners, firmly comfortable to ride in and—I'm speaking of the 5-speed close ratio manual—a tabby cat in town. It trickles along in fifth at 30 mph and accelerates clean as a whistle if you prod the pedal.

But in snow, oh dear. The enormously wide Michelin TRX 55 series tyres are everything V-rated radials should be when you can see the road surface. But cover it with an inch or two of hard-packed snow and they are totally devoid of grip. In the first five days of my



BMW M535i. Supercar performance with family car space for people and luggage

test I only managed to get the BMW up my drive once, with the aid of lots of muscle power. Then it stuck in the Marks and Sparks car park in which Metros and Renault 5s were moving freely. Snow is a great leveller. Shovelling and shovelling rescued the BMW, which I then drove home and left until the thaw came, relying on my Peugeot 305 diesel, which went every where I asked it to without drama, for personal transport.

I called the M535i a grown-up's supercar because its sober styling belies its tremendous get up and go. Forget its deeper air dam at the front and the plastic miniskirts at the sides and it looks no different from any other 5-series, the new 1.8 litre version (of which more in a moment) included.

Yet it will out-accelerate practically any other saloon car if one is juvenile enough to indulge in a traffic lights grand prix and, taking BMW's claimed top speed as read, show them a clean pair of heels on the autobahn. Really, it is an off-the-peg equivalent of the Alpina

B9 that impressed me so favourably when I drove it in both manual and automatic versions in the summers of '83 and '84.

As I have observed before, in a BMW you don't have to be squashed up and devoid of baggage space to enjoy supercar performance where it is still legal to do so.

If the M535i is a car with which to indulge one's fantasies, the 518i is a car to delight the business motorist. At £23,970 it compares in price favourably with a number of saloons of far less distinguished ancestry and the 1.766 cc fuel-injected engine squeezes into the below 1.8 litre tax bracket.

It is no flyer. The 109 mph maximum is so-so for a 1.8 litre; its 12.3 seconds 0-60 mph is the same as BMW's bargain basement model, the under £5,000 318 two-door. But does this matter to the business motorist who wants BMW quality and driveability and who doesn't want to engage in gladiatorial combat with every passing XR3i? I would have thought not. With the introduction of the

518i there are now seven 5-series cars with engines ranging from a carburetted 1.8 litre with a 90 bhp engine at £3,644 to £5,555, 2.3 litre engine with every conceivable (and expensive) extra at £15,995. Plus, of course, the incomparable M535i which has been exhilarating and frustrating me for the last few days, depending on the weather.

The M535i annihilates hills in fifth gear; the 518i with the same overdrive ratio through a 25 per cent lower geared back axle, does not. The gearbox has to be used freely, but better than 30 mpg is possible due to its long motorway legs. Standard equipment includes power-assisted steering, BMW GB says it will import 500 M535i models this year and warns that many dealers have pre-sold their allocation.

But if you can't get one of your company won't stand £17,950 for your car—despair not. The 518i will give most satisfying motoring in speed-limited Britain. And the mere fact that you drive a BMW is enough to impress most people.

Skinny twins get a grip

SNOW AND ice are not the ultra low profile tyre of the ultra low profile tyre like the Michelin TRX or Pirelli P7. Their enormous grip on dry or moderately wet roads can be diminished by a few millimetres of surface water.

Because the footprint is so wide, the water cannot be cleared away fast enough by the splotches and grooves of the tread pattern. The result is aquaplaning which may, in extreme conditions, lead to loss of control because the tyre is literally floating on a film of water instead of hitting down on to the road.

That was the reason why Jerry Juban, Geneva-based inventor, created his twin tyre system. Instead of one very fat tyre on a wide wheel, Juban has two skinny ones with a gap between them.

The water that would make a fat tyre aquaplane pours through the central gap.

I have not tried twin tyres in the snow, but Juban rang me from Geneva this week to tell me that they work just as well as they do in heavy rain. (They are good in the dry, too, as I discovered on a test track more than a year ago.)

The other obvious benefit is that if one of the twin tyres goes down, the driver can continue his journey for hundreds of miles if he needs the remaining tyre is increased by about 20 lb per square inch.

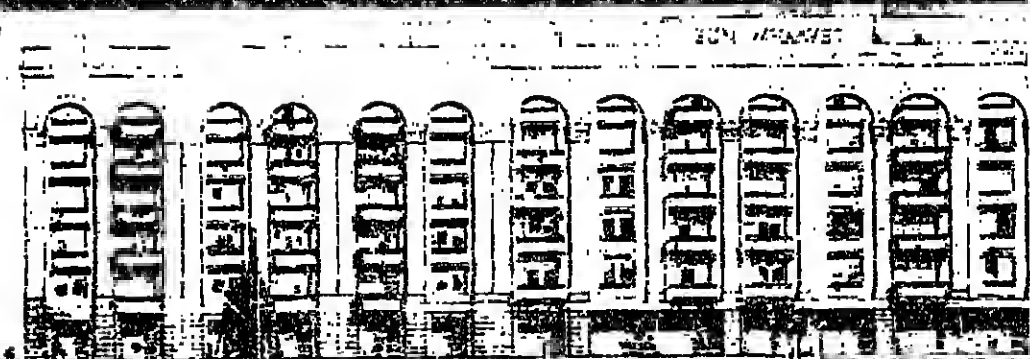
The motor industry is taking the twin tyre seriously. Balmier-Benz has approved all Mercedes models for twin tyre fitment. So has



Audi for its Quattro; Porsche for the 928 and 911; and Opel for the Senator, Monza, Ascona and Kadett, including the very fast 1.8 litre GTX. None is yet using them as standard equipment, they are for retro-fitting by the owner—but Audi may well do so in about two years time.

Even Rolls Royce is known to be interested in the twin tyre concept. Twin tyre/wholly packages are now available for cars as small as the VW Golf GTI and Honda Prelude and as large as the Audi 200 and Mercedes 500. Juban can be reached at Geneva 32 72 20.

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Holidays and Travel

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TRAVEL

Arthur Sandles has warm memories of New York

A city of chilly thrills

THIS CHAP who owned my house before me was a hardy sort of fellow. I might have guessed that from his ruddy complexion and open-necked shirt. I am reminded of his hair-shirt attitude to life every time I have a bath. He moved the bathroom so that it jutted westward into the garden. This bilabial thrust has swept in from the west of late and is temporarily hindered by this structure, and went their way against it as a result.

I recount that tale only to illustrate the fact that there are places where it is quite pleasant to be cold. Others, including my bathroom, are among those that are not.

New York, well, Manhattan is one of those places where the chill is quite stimulating. In my brief occupation of a small corner of one of the city's giant apartment blocks one of the pleasures of late Saturday was slipping out to get the Sunday (New York) Times and a bag of croissants on the street, understanding that neither would be broached until Sunday morning itself. But all the promises of a lingering morning indoors were swept away simply because the temptations of a snowbound Central Park were too strong.

New York in winter can be desperately cold, but it is usually also very dry. It is the sort of weather where every movement in the open air seems to be made at a scamp, to avoid the chill. You scamper from hallway to taxi cab, from cab to theatre from theatre to subway (there's no way you're going to find another cab) and from subway to restaurant. The cold, however, is a skin-pinch one, rather than the bone-deep that assails you in the wetter climes of London or Brussels.

It is only in the height of summer that Manhattan becomes an unpleasant place to visit. The soaring heat mixes with car fumes, noise and general ill-temper to make it singularly avoidable.

It is hardly a secret that New York has had something of a revival over the past couple of decades. It went through a very bad patch. It is not for me to argue whether the Big Apple and I Love New York campaigns started this change back to city pride and vitality that had somehow been lost in the fifties, or whether these were simply symptoms of that change. For

the moment, however, the fact that New York is the Yappy capital of the world (for those still not in the know, that is a Young Urban Professional) and it shows. The city has spruced up its village areas, including The Village, the arts and



theatre are exciting and innovative, winning and dining is of a high standard, and the shopping remarkable.

The only problem is that, for anyone not paid in U.S. dollars, it is, for the moment, cripplingly expensive.

There is no escaping that fact. You will be able, as I will show, to bring the cost of transport and accommodation down to quite reasonable levels. But the simple things of life, like cups of coffee, getting around, buying toothpaste and drinking a G & T at the hotel bar tend to come as something of a shock.

I cannot see, for example, how you can have pre-theatre snacks, see a show, go on for dinner at a decent restaurant and take in a late night drink or two at a piano bar or one of those places where there is a good singer or comedian for less than \$250 for two people without cutting corners on your normal London standards.

So this is not going to be one of those "how to do New York on 50p a day" articles. You can't, unless you have good shoes, strong legs, no appetite and a taste for window shopping.

But all is not bad news. The actual reaching of New York

is a remarkable bargain at the moment. Air fares are impressively low—even if People Express is about to raise its one-way fares from £122 to £154. I recently paid more than that to fly to London from Nice.

A ring around travel agents this week, asking for the cheapest one-week return flights London-New York just before Easter, produced a fairly standard response: The lowest fare, quoted by Thomas Cook, was £230, on TWA, but it could only be booked two days before departure. Buckingham Travel offered Virgin for £244, which others were offering for £258. Both Thomas Cook and Pickfords offered big-brand name flights (BA, TWA, etc) for £259 or £279 subject to certain booking restrictions.

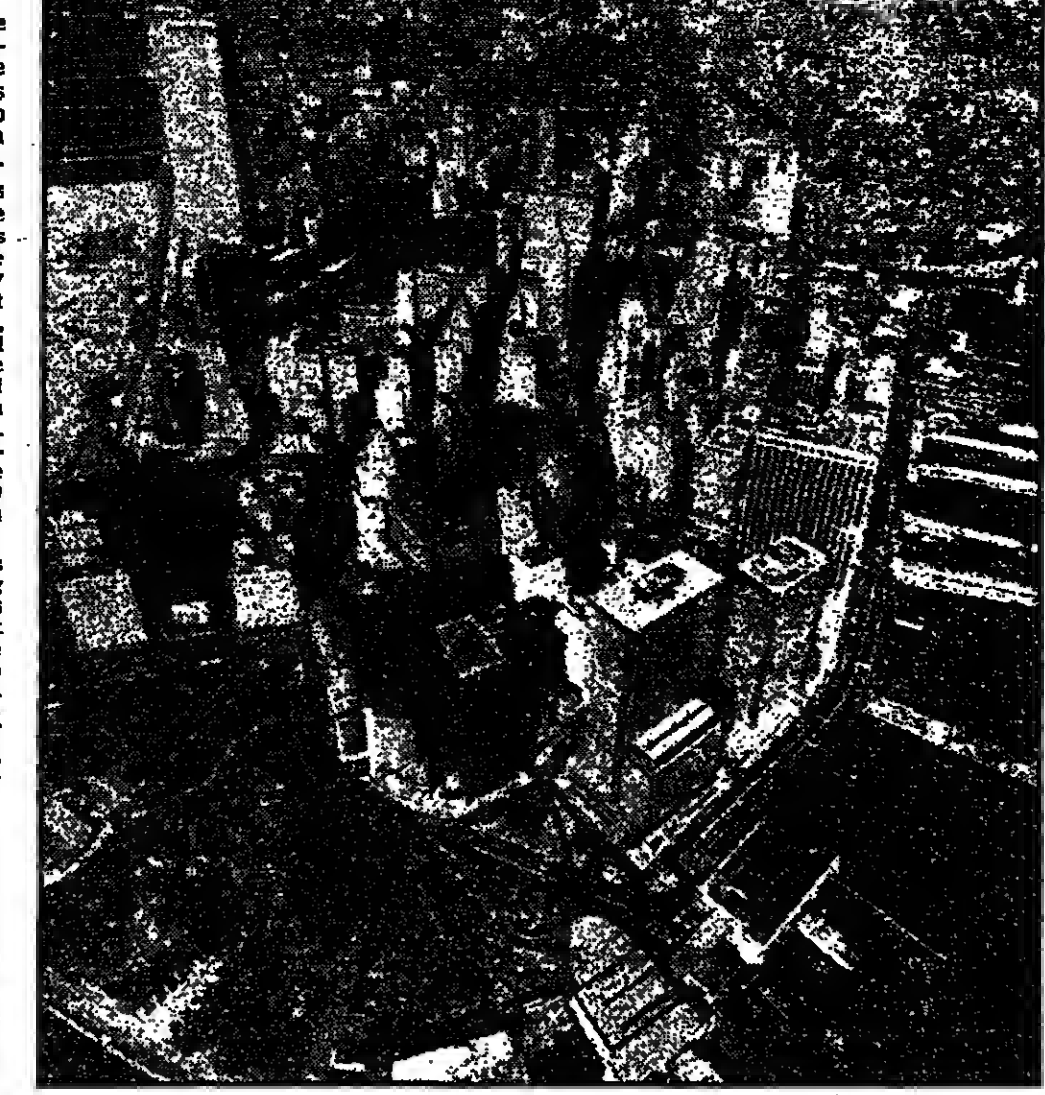
There is a range of reasons for the low prices, prime among which is the surplus of seats and the strong competition. But also there is the fact that the airlines and tour companies do not wish to see their British business disappear. To become dependant on one source of revenue is a recipe for disaster, so there is a degree of encouragement of the ramp from which bigger and better things can be developed when, or if, the dollar tumbles.

Probably the best bargain around at the moment comes from Cosmos. It has a hefty America programme that was prepared on dollar-pound values in July of 1984. The holidays in this programme are guaranteed provided you book them, and pay in full, before April 13 of this year. The most expensive New York week in the brochure is £338, and prices start at £427. An extra week can be had for £128-£160.

Another little gem hidden away in the same brochure is the offer of a three-night New York stopover for £75 for anyone booking a Florida trip with the company.

They are, however, not alone in offering good prices. I would recommend anyone even thinking about going to New York to spend some time gathering as many brochures as possible and checking what is being guaranteed, and what not, and where surcharging stands at the moment. Special offers, such as the one involving Cunard and British Airways to which I referred last week, seem to be appearing every day.

One of the biggest operators



Many-splendoured Manhattan. But take lots of money—you'll need it

across the Atlantic, Jetsave (now part of British Caledonian) told me this week it is guaranteeing the price of its three-day holidays in New York in most of May at £298, with accommodation at the New York Pentia. For the rest of the year, and for longer holidays, the surcharges at the moment are in the 5 to 8 per cent range.

Jetsave, and other operators, are guaranteeing that once you have paid in full there will be no further surcharges—which makes a two week stay in September at a brochure price of £539 plus the present surcharge still an impressive offer.

If you are staying with friends or have some special local link that gives you bargain accommodation then by all

means travel independently—you could use the wide bodied charter jets of TransAmerica for £279 (£289 in the summer) return via American Airplan. By and large, however, it would seem extremely difficult to beat the package prices. The savings on airport transfers alone are substantial.

But back to the bad news. I would not recommend New York to anyone who was on a really tight budget. It is not much fun if you cannot even afford to eat and drink for lunch or see a couple of Broadway shows.

At the moment (until the end of March) TWA is building something of a bridge between package and independence with its I Love New York

programme subtitled "welcome back to the two dollar pound." It is offering passengers via its programme with Travellers Jetsave half priced rooms at many hotels (£20 at the Madison Towers, £29 at the Sheraton Centre per person, two sharing) and a third off some show tickets (£30 for 42nd Street or Chorus Line, and that's the discount price).

Since pen first hit paper (or rather finger hit microprocessor) the weather outside my window has changed from the sooty gloom that inspired those first thoughts to the sort of crisp clear leanness that I suggested was never seen in London. So, the law, of course. But I still reckon New York is a great place to be in winter.

Best foot forward to a new Ice Age

SITTING round the old log fire the other evening, the topic of conversation swung hither and thither around new Ice Ages and Black Rung I have known and then settled on that established favourite, the good old days. In particular, we started to reminisce about favourite skis, the classics.

It could be argued that the day of the classics is over. We are nearly, but not quite, at the stage where ski design is in the hands of the computer. Our classics were skis that were fun to use but had occasional touches of piggery about them.

The classic era probably started early in the fifties—before even my ski time—when metal first was used to any large extent and when lamination and glue techniques said to have been pioneered in the UK for aircraft production, were applied to skis. The first Head skis from the U.S. revolutionised both equipment and technique.

The metal ski, much improved later by the Austrian Fischer company, had tremendous torsional strength when compared with the former wooden models. Although I have never skied on early Head models, I did ski on some descendants a little later. The metal ski gave a grip on ice and hard pack that wood simply could not match, but...

The "but" arose when speeds increased a little. The metal ski had to be designed with sufficient softness in the nose to make it turnable, but the sheer act of doing this gave the ski a tuning-fork effect.

The result was that, on a fastish run or straight schuss, the nose would vibrate and you could catch an edge in a wink of an eye. At the end of a ski day, when the runs home were rutted and refreezing hodies were scattered as if on a battle-field.

Later, the manufacturers learned to dampen this vibration and the golden age of metal skis, the late '50s and early '60s, dawned. And after that came the period of experimentation with various plastics, woods and metals—the glorious, pre-computer days.

My own eventual, highly-subjective list of classics includes:

● The Kastle CPM 70, an early powder ski that turned easily and was fun for off-piste when skiers were just beginning to

enjoy the deep stuff — but never a happy ski on ice.

● The Kneissl White Star series. Later models still are seen often around the slopes. Basically a racing ski, it was far too much for most of its users to handle, but just owning a pair said something about your aspirations — if not your skill.

● The Hexel Hexcellerator, the best of the compacts that were the rage in the mid-1970s. Good use models are still in demand — hold on to them if you have a pair.

● The Olin Mark IV Comp, the ultimate bump ski, and Olin Mark III, user friendly.

● The Pre 1200, made in Sun Valley, Idaho, and usually seen in Europe only on the feet of ski instructors who want to



show they have been around.

● The Rossignol SM, a super ski for the piste-hasher but a nasty bag of tricks in moguls or anywhere that short, sharp or slow turns were required.

● The Dynastar Omesoft. People who bought Mark III's a year or so back now buy Omesofts. Collectables, but certainly not classics, include such brief eccentricities as the Hexel Split Tail, with its swallow-like rear end; and the Kastle RX Downhill, with a hole in the nose to let the snow flow through.

The champion classic, however, must be that black (or pearl) Utah-produced monster with the odd coloured patches — The Ski. Handmade, soft flexing, very expensive and no longer with us (unlike our own dear Scottish Vellhaber). If you want to see what they looked like there is none oiled to the wall at Ski Service in Verbier.

Arthur Sandles

Holidays and Travel

U.K.

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BLONK, 22, New Square, W.C.2. Tel: 01-223 1239. Opening of new gallery. MIXED SHOW.

AGNEW GALLERY, 45, Old Bond St., W1. 01-629 6176. 112th ANNUAL WATER-COLOUR EXHIBITION. Until 22 Feb. Mon-Fri. 9.30-5.30. Thurs. until 8.30.

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ARTS

Financing the Museums/Antony Thornicroft

Smash or grab

ONE OF the biggest rows to hit the Heath Administration of the early 1970s was over its plan to introduce admission charges for museums and art galleries. The proposal was discarded in the face of a powerful lobby which argued that free access to museums and art galleries was one of the natural rights of a British citizen and one of the pillars of the nation.

Now the issue is raising its head again and this time the museums and art galleries are considering introducing the charges. They are reluctant to do so, but a succession of meagre annual grants from the Government has put them into financial straits.

Ironically the Minister for the Arts, Lord Howe, went out of his way to help the national museums and galleries in his first budget last month, giving £3.5m in extra money for conservation and display, and raising the cash for building maintenance and repair by over 15 per cent to £28.7m. At the same time he undid this generosity by reducing the purchase grants by nearly 18 per cent.

For most of the national institutions their 1985-86 grant is just not enough, and their problems will be aggravated if civil servants receive more than a 3 per cent pay rise in 1985, the figure the Government has budgeted into the museums' revenue. For the Victoria and Albert salaries consume 85 per cent of its grant and if it has to find extra cash in this sector its chances of holding the line against the worsening deterioration of its fabric are reduced. This week it had to close the Indian gallery because the roof was leaking.

Sir Roy Strong, the director, has gone out of his way to alert the public to the structural problems the museum faces as a first step in collecting its help. In cash terms, in 1985 the V&A trustees meet to consider some form of admissions revenue; they are seeking the advice of outside marketing consultants on the best approach, and by the summer visitors to the V&A are likely to be educated on paying for the facilities available in the museum.

"The whole philosophy of the nation has moved towards 'you pay for what you get'. I do not think it unreasonable that the half a million regular users of the museum (out of a

total attendance approaching 2m) should make a contribution of a pound each," says Sir Roy. The £500,000 raised could save and restore a gallery.

Sir Roy and the trustees are studying how "to trigger a response." It is unlikely that a fixed admission charge will be levied. An approach closer to that of the Metropolitan Museum in New York, which does in fact have a compulsory sum in favour of the public to the problem of the V&A and hope of stimulating a willing financial contribution.

But the very fact that the V&A is prepared to consider such a change in tradition has slightly unnerved the other national museums and art galleries even if their buildings are not in such a bad state as the V&A which is seeking £25m from the Government over the next five years to save the structure.

The British Museum and the National Gallery are still resolutely opposed to admission charges although their Trustees have given the matter more thought than they did in the past. The Tate is also against the idea in principle but is watching the V&A and its plans with close interest. The very paucity of current resources makes every possible extra pound very attractive.

There is one major museum which has been charging the public for admission for over nine months. The National Maritime Museum in Greenwich introduced admission charges last April. Its director Dr Neil Cossons, is happy with the results but wants to wait for two or three years to deliver a definite conclusion.

In the first year the museum will gain £360,000 in extra income. This has gone towards re-opening the museum on Monday. A marketing campaign and refurbishing galleries. Dr Cossons reckons that attendances are around 10 per cent down a reasonable price in pay.

The Imperial War Museum has operated an exhortatory scheme since December: no fixed charge but themselves and heavy pleading. It has raised £6,500 in six weeks, but this is a quarter of the year. School children are of course excluded from such fees. It sees the scheme as part of its programme to raise £9m to rebuild the museum and to double

its gallery space, which has remained the same for almost 50 years and one World War. The Government has promised £8.5m if the Imperial War Museum can raise the rest.

The Government's attitude is the key in the museums and art galleries drive towards increasing revenue. In theory, the Government leaves it up to individual museums to decide whether to introduce charges. But in fact much more ambivalent line towards the money earned by museums and art galleries.

In theory, extra income gained by operating, say, the gallery shop more efficiently, goes back in the Treasury. Greenwell had to get special exemption to retain its admissions cash for its own use.

Last year the National Portrait Gallery hosted considerably its sales through its shop. As a result its grant was cut by £80,000. The National Maritime Museum also made a substantial surplus on its shop and gained only an extra £50,000 in a £4.3m grant. The Minister for the Arts is aware that the institution of penalising arts institutions that show themselves to be entrepreneurial is against the spirit of modernism and last year formed a committee to examine the problem.

It failed to report in time for 1985-86 but should offer guidelines some time this year. But while galleries and museums could receive lower grants because they are generating more revenue there is little incentive to experiment with cash-raising schemes.

The Arts Council announced yesterday that it would not be offering any subsidies for 1985-86. This year's is £103.5m.

The Arts Council informed Riverside last year that unless it brought income and expenditure into some kind of balance, and reduced its deficit, its grant would be cut. Although there has been an economy campaign, the cash problems remain.

The GLC has stepped in with substantial grants during similar crises in the past and this year is giving Riverside £445,000, making it one of its main art clients. Mr Peter Pitts, chairman of the GLC arts committee, was meeting Riverside administrators yesterday evening and would like to be able to produce more money to keep the Riverside going. But he recently said that Government rate-capping will force the GLC to reduce its arts expenditure by many millions.



Laura Truman of the V&A showing walls and ceiling of the lecture theatre affected by dry rot

Riverside cash crisis resurfaces

Riverside Studios, the arts centre in Hammersmith, West London, which since its opening in 1976 has combined great artistic successes with a succession of financial crises may be facing permanent closure. The Arts Council announced yesterday that it would not be offering any subsidies for 1985-86. This year's is £103.5m.

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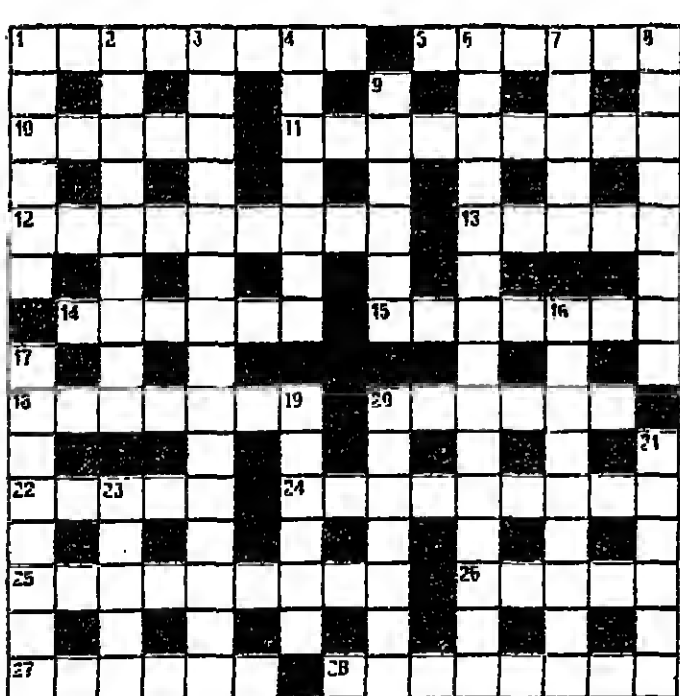
Sinfonietta/St John's

The London Sinfonietta's climax to encompass the series of seven concerts and the highest and lowest ranges. I have written already in these pages of György Kurtág's *Fragmente* op. 20: a cycle of 20 tiny songs for solo soprano not yet heard in Britain; and London concert-goers will remember several Sinfonietta performances of *Messiaen* of the late Naxos R. V. Trousdale, another miniature song-cycle for voice and instruments.

The third programme of the series at St John's, Smith Square on Thursday night explored three vividly contrasting sound-worlds—and contained, as well as the serious and solidly inventive *Life Studies* of 1973-75 for solo strings by Nicholas Maw, two remarkable Rungtarian masterpieces composed during the last three years. György Ligeti's *Horn Trio* is his most recent instrumental work, finished only 18 months ago, and also one of his most beautiful and original creations. The mood is elegiac: the first movement delicate and deeply melancholy—a very distant, delicate and melancholic music, the sound of which penetrated, as it were, from above atmospheric crystallisations.

The two central movements recall, in their calculating wildness, some of the crazy medieval dances of Ligeti's opera *Le Grand Macabre*. The finale is a Passacaglia that divides at its

F.T. CROSSWORD PUZZLE NO. 5,628



A prize of £10 will be given to each of the senders of the first five correct solutions opened. Solutions may be received by next Thursday, marked Crossword in the top left-hand corner of the envelope, and addressed to the Financial Times, 10 Cannon Street, London EC4A 3DF. Winner and solutions will be given next Saturday.

Name
Address

- ACROSS**
- Still turning round separately at social functions (15, 1)
 - Take in brother's degree the wrong way (16)
 - Pain for the cast, we hear (15)
 - Frightened of getting stoned? (19)
 - Game, maybe water, maybe in sea, is a dance (12)
 - Small diamonds put in bag by Welsh mountain (15)
 - Sound like one with something on his chest (16)
 - Mother accepts covering for holy man (7)
 - Lubricate tympanum? (13, 4)
 - Island herd? (16)
 - Piece of work, maybe had when one strikes? (13)
 - Papa's modern coin (13, 6)
 - Advised on a chance of drink (19)
 - Hunchback follows model in strike (15)
 - Sailor, church leader and solver (14)
 - Stage Partner to partake in game till its end? (18)
- DOWN**
- Mikado's town: I put it differently (14)
 - Floor pail used by sucker when forgot the date (15, 4)
 - Autumnal appeal for prey, sound [at hen? (1, 5, 3, 3, 1)
 - Drunkard, keeping it un-

BBC 1

Indicates programmes in black and white

8.50 am The Pershires. 8.55 The Little Hobo. 9.00 Saturday Superstore. 12.12 pm Weather. 12.15 pm News. 1.00 pm Focus with Bob Wilson. 1.05 pm News. 1.10 pm News. 1.15 pm News. 1.20 pm News. 1.25 pm News. 1.30 pm News. 1.35 pm News. 1.40 pm News. 1.45 pm News. 1.50 pm News. 1.55 pm News. 2.00 pm News. 2.05 pm News. 2.10 pm News. 2.15 pm News. 2.20 pm News. 2.25 pm News. 2.30 pm News. 2.35 pm News. 2.40 pm News. 2.45 pm News. 2.50 pm News. 2.55 pm News. 3.00 pm News. 3.05 pm News. 3.10 pm News. 3.15 pm News. 3.20 pm News. 3.25 pm News. 3.30 pm News. 3.35 pm News. 3.40 pm News. 3.45 pm News. 3.50 pm News. 3.55 pm News. 4.00 pm News. 4.05 pm News. 4.10 pm News. 4.15 pm News. 4.20 pm News. 4.25 pm News. 4.30 pm News. 4.35 pm News. 4.40 pm News. 4.45 pm News. 4.50 pm News. 4.55 pm News. 5.00 pm News. 5.05 pm News. 5.10 pm News. 5.15 pm News. 5.20 pm News. 5.25 pm News. 5.30 pm News. 5.35 pm News. 5.40 pm News. 5.45 pm News. 5.50 pm News. 5.55 pm News. 6.00 pm News. 6.05 pm News. 6.10 pm 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LEISURE

Gerald Cadogan reports on the discovery in Cheshire of a well-preserved survivor

The 2,500-year mystery of Lindow Man

A HUMAN leg noticed last summer on the elevator at a peat mill at Lindow Moss near Wilmslow, Cheshire, has led to the discovery of the oldest Briton to be more than a heap of bones. He lived about 2,500 years ago and died in a curious ritual death.

Called "Pete Marsh," he now has been christened Lindow Man. He is the subject of an unusual forensic investigation and is being studied by many different scientific specialists so as to learn all that is possible about him and his circumstances before he is prepared for public exhibition, possibly in about a year.

It is lucky that he has survived to us, for he comes from a bog where horticultural peat is cut left to dry for some months and then taken to the mill where stones and wood are removed before despatch. That was when the leg was found.

The Cheshire county archaeologist, Dr. Richard Turner, was called. At the spot where the peat had been cut, he found a human skeleton. The bones were not usually found in excavation.

Excavation revealed the torso of a man, sheered off at the waist by the peat-cutting machine. He was lying face down in what had originally been a shallow pool in the bog, as a team from Liverpool University discovered. His right elbow was stretched out, his left forearm was across his waist and his hands were together. He was naked, though he might have had a band of some sort on his left arm.

He probably had been garrotted, with a cord tied round his neck and twisted by a garrotte stick, leading to separation of the neck vertebrae. Forensic study by Dr. Iain West, of Guy's Hospital, suggests he was hit on the head first, then garrotted, and finally had his throat cut.



Keeping the wrinkles at bay: British Museum conservation officials apply moisturisers

He could have been hit on the head for anaesthetic reasons or perhaps the event should be seen as a process like hanging, drawing and quartering. We do not know.

His fingernails are in good, neat condition, which makes it unlikely he was a manual worker. He also is well built, which could mean he had been fed better in his 25-odd years than others—something that can be demonstrated in the royal burials at Mycenae of about 1,000 years earlier compared with bumber burials elsewhere in the Argolid.

It must have been a ritual death of somebody who might assume to have been important and garrotting might have been part of the ritual. According to a Major Richardson in 1837 (cited in the OED), death that way was "at once the most manly, and the least offensive, of the eye."

Similar bog burials in Denmark of much the same date as Lindow Moss reinforce the idea of ritual killing. There, too, the peat-like sand of Egypt has preserved evidence we should not have otherwise. The Danish bog burials include garrotted victims, but none yet found has been killed in quite such a thoroughgoing way as Lindow Man.

Lindow Man has mousey-coloured hair and a red moustache, beard and sideburns. His teeth are worn. We do not yet know his height. After having been put in a mould and kept cool in various morgues and a specially-made refrigerator at an out-station of the British Museum, he now is being freeze-dried—a process used also for waterlogged wood—before being remounted. All samples were taken while he still was wet. He has

been X-rayed and has had a CAT scan of the body at Bart's Hospital and a nuclear magnetic resonance (NMR) scan at Picker International in Wembley.

The work of studying him has really only just begun. His stomach contents will receive special attention, as they can reveal details of his environment (from the seeds and pollens there; his health (be he bed two different types of worms, identified from their eggs); and his diet—although it is possible that the meal he had last might not have been his regular food but something hearty for the condemned man. A research assistant is now to be employed by the British Museum for the full first sorting of the stomach contents, a six-month job.

Another research assistant, financed by the Department of the Environment, will be at

work on the peat with Professor Frank Oldfield, of Liverpool. Comparisons of what was outside the body with what was in it will be very helpful; and there is a fine opportunity to learn much about the climate and plant life of the first millennium BC from a dated context.

Lindow Man has been referred to other specialists. About 30 people in all include experts in rheumatology, dermatology and microbiology. There is some evidence of degeneration from osteo-arthritis, but the complete anatomical study has still to come.

In charge of the whole project is Dr. Ian Stead, deputy keeper of Prehistoric and Romano-British Antiquities at the British Museum. While there is little to be done that is immediately archaeological, it is all archaeology: Lindow Man will be the best illustration for many years of how the discipline grows by using the techniques of others to make the most of the evidence.

Similarities to police detection work are many and the police and the coroner have, in fact, been involved with Lindow Man. The police were called as soon as his leg appeared, since in 1983 a head also had been found in peat from the bog.

This led to a confession of murder by a man whose wife had disappeared 20 years before although, ironically, the head actually was ancient and his wife's, as was shown by radio-carbon dating at the Oxford University Research Laboratory for Archaeology and the History of Art.

With Lindow Man the dating was done at the Atomic Energy Research Establishment at Harwell. Once the "crime" was certain of its antiquity he could release the body, and it left Macclesfield Hospital for London.



Family inheritance: The dining room at Bowhill

Stately seats of learning

The Stately Homes of England. How beautiful they stand, To prove the upper classes, Have still the upper hand. Anthony Thornecroft updates Noel Coward's song

IT IS becoming steadily more difficult to stand by the stately homes of England. And when a peer of the realm dies his heirs face an almost impossible task in attempting to pay capital transfer tax without selling off the family heritage.

There is a queue of families hoping that the Government will somehow solve inheritance problems by taking on their houses in lieu of tax. Lord Scarsdale at Kedleston has been waiting for over a year now for the Department of the Environment to make up its mind on how to save his 18th century mansion. The Earl of Bradford is still looking for a solution for Weston Park, Shropshire. Now the death of Lord St Oswald last month casts a shadow over Nostell Priory, West Yorkshire.

All three houses will require special action because although, in theory, the Treasury is bound to accept works of art, and land, in lieu of tax, in practice it is putting aside only £2m in 1985-86 to set against such offerings—a pittance. So there will be a succession of "save our heritage" crises at the last minute. Already an overseas buyer has put in a £25m bid for Kedleston and if it goes through there is no certainty that the house will remain open to the public and that the contents will not be disposed of in the saleroom.

If recent inheritors face a clash between their consciences

and their desire to maintain their homes intact, on the one hand, and the lure of foreign lucre, on the other, established families are also finding it harder and harder to make ends meet. Most homes have been open to the public for years but 1984 was not a good time for attracting visitors. Overall the Historic Houses Association reported a 5 per cent increase in attendances, but as many mansions recorded a fall in visitors as managed a rise.

The four most popular houses all offered the public more than a mansion—wild animals at Woburn and Longleat, old cars at Besenau and tableaux at Warwick Castle (it is owned by Madame Tussauds). There is a limit to the popular enthusiasm for looking at fine furnishings and family portraits, and indeed there is a limit to the enthusiasm of the house owners in having the public tramping through their homes—most of them open their doors only to the qualified for conditional exemption from capital transfer tax.

Now a new initiative has been taken by the Duke of Buccleuch which insures public access without the disruption and damage of constant visitors. An education trust has been established which will enable 20 participants to examine the Duke's treasures in two of his houses, Bowhill and Broughton, over a leisurely 10 days. The houses' general availability to the public will in future be restricted, and when it does happen the concentration will be on learning.

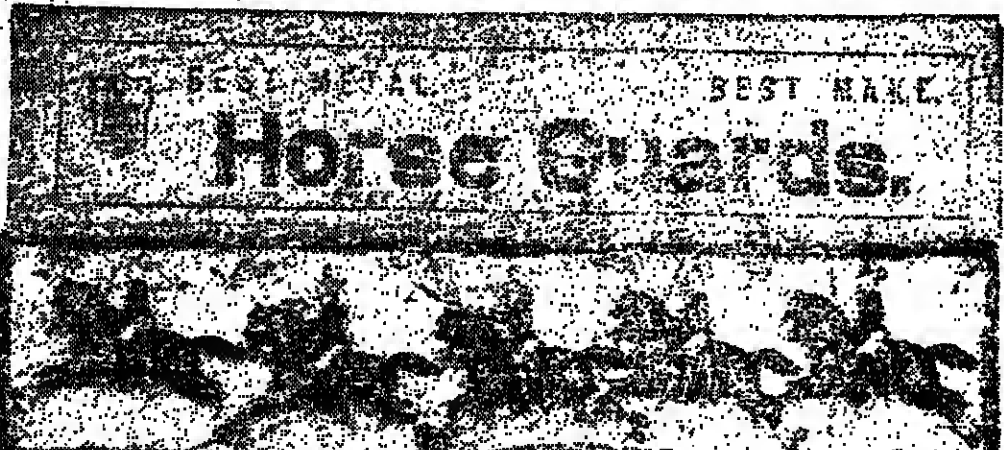
The Duke of Buccleuch can offer an unrivalled introduction to the British heritage. In all, he owns four houses, although the five courses this year will be centred on either Broughton in Northamptonshire or Bowhill on the Scottish borders. Broughton expresses the francophile assets of an ancestor, the Duke of Montagu, ambassador at the court of Louis XIV, who brought back not only French furniture but also French craftsmen. Their number was swelled by Huguenot refugees after 1685. Two courses, in June and August, concentrate on Huguenot artists, like Paul de Lamerie, the silversmith, and Daniel Marot.

Bowhill basically dates from 1812 and the courses there concentrate on early 19th century collecting. The August event, most expensive of the live coating £1,200 as against the minimum £700, will include trips to the family's other Scottish residences, Dalkeith and Drumlanrig. This course is likely to appeal to wealthy Americans, but the Duke is eager to attract scholars keen to study British aristocratic collecting *in situ* and there are plans for scholarships in future years.

Sorbonne is supplying the lecturers but neither it nor the Duke of Buccleuch is expecting to make a profit. It is an alternative method of making the fine houses of Britain available to the public but with the emphasis on study, and the greatest appreciation, rather than on casual gawping.

No other British family can offer such a range of houses and furnishings as the Dukes of Buccleuch. The Duke of Devonshire at Chatsworth is prepared to open his unrivalled collections to students and Burgley in Lincolnshire is this year expanding on its open days, when particular collections to the house are the subject of lectures by experts (Japanese export wares will be examined on February 16), but the Duke of Buccleuch and his son, the Earl of Dalkeith, are keen to break new ground in establishing their houses as educational centres, removing them from the hard selling razzamatazz of the stately homes circuit.

Profit from playing soldiers



Box of Horse Guards, c 1900, in toy soldier exhibition at the London Toy & Model Museum

A SOLDIER stands on guard, rifle held at the ready, bayonet fixed. Zuluf himself against regiments of British soldiery in full dress—Guards, Highlanders, Fusiliers, Infantry of the Line, and Royal Scots Greys. A fortress bristles with cannon.

This stirring, if unrealistic, scene is in the entrance to a staid Victorian house in Craven Hill, London, W2, off the Bayswater Road, an impressive prelude in miniature to *On Guard*, the toy soldier exhibition at the London Toy and Model Museum, Tuesday to Sunday, 10-5.30; Sunday 11-5.

The extraordinary array features the products of British manufacturers since 1883, when the firm of Britains first started to make hollow-cast metal figures, up to those of the 1960s, such as the Eagleware plastic figures of Dan Dare and his space commandos from the comic *Eagle*.

Most of the remarkable collection belongs to the exhibition organiser, historian and author James Ople, a member of the Royal United Services Institute, a finalist, to the National Wargaming Championship, consultant valuer to Phillips the auctioneers, and a stock controller at W. H. Smith.

Ople started his collection in 1948; by the late 1960s it numbered 30,000, but since then he has stopped counting. He began with 12 home-made solid lead cavalry, and his first proper toy soldiers were a box of Britains' second-grade painted figures including Infantry of the Line on Guard.

COLLECTING

JUNE FIELD

useful for close-quarters work and for long-range rifle fire. With their spiked helmets they could also do duty as Germans. Later, they went on campaign against the Zuluf, he says.

The excellent exhibition catalogue (£1.95 from Allen Levy, who runs the London Toy Museum, 23 Craven Hill, London W2) details the background of toy soldiers in gun teams, the trenches, and in the air.

You can read about some of the exploits of the regiments of the Indian Army (the 1st Madras Native Infantry and the 6th Cavalry Corps); the memorable exploits of the Sudan campaign (Gordon of Khartoum and Kitchener); and even the Boxer Rebellion of China during 1900 when, for 55 days at Peking, the international legations were under siege by an anti-foreign secret society backed by the dowager empress.

The boom in collecting toy soldiers started late in the 1960s with the phasing-out of lead soldiers. No longer in commercial production, they began to acquire a rarity value, and have shown a steeper appreciation in value over the past three or four years than any other kind of collectors' items.

New records were set by the sale last May of the collection of the late John Hanington, an

private army of 24,000 soldiers fetched £203,790 at Phillips' twice the expected figure. Britain's boxed set of nine Royal Fusiliers—which, when first sold in 1984, cost two shillings—went for £3,800 to a Texas lawyer bidding by telephone.

Phillips, of course, are strongly identified with toy soldiers as their publicity consultant, Peter Johnson, with his wife, Anne, is also curator of the Forbes Museum of Military Miniatures in Tangier, Morocco, which houses nearly 100,000 figures. And Johnson's book *Toy Armies* (Batsford, £9.95) describes how American publisher Malcolm Forbes began it all with a box of worse-for-wear U.S. First World War doughboys bought at auction.

The record price for a single toy soldier still remains at £260 for a Britains' corps trooper worth 2d in 1910, which was in the Phillips' sale of the late Len Richards' collection in 1981.

Pieces can be bought between £20 and £50, but they often have some damage. At Phillips last November, a set of 14 16th Lancers, 1910, by Heyde, were in this bracket, but a few of the lance heads were bent, and in some of the sets of the mid-1930s there were a few missing arms and legs. (Phillips are holding seven sales of toy soldiers this year.)

To swap, buy and sell with other collectors, join the British Model Soldier Society (hon. treasurer Ian Webb). Subscriptions are £5 for adults, £3 for juniors (over 12, under 17), to the BMSS, 35 St John's Road, Chelmsford.

Lots of money and a gaggle of wives

FOR THE past month, I have been living in the same hotels as the England team and have watched them win the one-day series, and take a commanding lead in the Tests against India. It is a pleasure to be able to report that they have shown considerably more character than many of our recent touring sides, enabling them to raise their game and play above their potential.

It has been especially interesting for me because, seeing them individually and collectively both on and off the field, I was able to make a comparison with the overseas teams I had toured with. Some aspects clearly have changed but others have remained exactly the same.

The biggest difference is financial. A player, like Paul Downton, who was in all the Tests and one-day internationals last summer and has been picked for this (four-month) Indian tour, will have earned approximately £20,000 plus all expenses. In addition, he will have been paid about another £3,000 by his county.

Even taking into account inflation, and ignoring the numerous perks and extra-curricular rewards now available this does compare rather favourably with £450-a-year salary as secretary of Essex and my £200 for a six-month tour of Australia.

I increased rewards combined with the increased number of tours—David Gower will have been away for the past seven consecutive summers—has made players independent financially much earlier in this, which was questioned by the Kerry Packer "World Series" has increased their power greatly. Conversely, it has also made that of the game's administrators, (though not to the same extent as in international tennis), in

CRICKET

TREVOR BAILEY

Australia, it has produced an unhealthy lack of discipline, but this does not apply to the England party in India.

Because cricketers are able to earn so much more these days—though nothing approaching the huge sums available in the individual sports—they can afford easily to take wives with them for part of the tour. In my time this was not only discouraged by the MCC (though not to quite the same extent as the Australian Board of Control, who would not allow wives to stay in the same hotel) but economics made it comparatively rare.

A gaggle of wives, especially if accompanied by kids, tends to make a manager's job more difficult. I remember Alec Bedser was not too impressed when one of his fast bowlers, whom he felt should have been breathing fire and destruction, arrived in Sydney carrying a baby and a toy koala.

On this tour, however, where there is less social life, I think the wives and girlfriends have been an asset (borne out by my results).

Other differences these days are limited-over matches, which are attracting large crowds; the shins (oo the ball) which now last so much longer; more-athletic ground fielding—though the catching does not appear to have improved noticeably, at least judged on the five matches I have seen out here; and far more officials. I went to the West Indies, which is a very hard tour from every angle, under a "player-



Paul Downton

manager." Charlie Palmer, who had never provisionally managed a tour, nor been to the Caribbean.

I am pleased to say that several things have not changed. First, there is the pure joy and elation every player feels, whether in the team or not, when England win overseas. It means so much more when it occurs at home, and is especially exhilarating after a tough tour that started badly.

Second, there is the satisfaction of proving the critics wrong. When first I went to Australia, I was written-off as a failure before the tour had started; so I can appreciate the feelings of Fowler, Robinson, Gatting and Foster, in particular, who have demonstrated so well that they are much better than some people believed.

Third, the same tendency remains to be suspicious of all umpiring decisions. Batsmen on tour often believe they are out and bowlers, a biased breed, invariably are convinced every lbw was plumb and every snick a catch.

Finally, there is the satisfaction derived from being part of a close-knit team who have been able to pull out that little extra when it was most needed and have come out on top.

A MINOR accident has been keeping me housebound in a state of furious frustration. I have nothing to do, once reading and writing pail, but watch the birds making use of the feeding facilities we provide. We actually have two feeding areas; outside the kitchen window, where edible scraps are hung, and a formal bird table in the garden.

The kitchen area used to be where the farm cats topped up their expensive tinned luxuries but they went wild and return only occasionally, preferring to spend their time in the barns or the fields. Their place has been taken by the coarser feeding birds: magpies, jays, jackdaws, rooks, starlings and, of course, sparrows.

Then, one evening I heard a dish full of chop bones being moved. I crept out the back door with a stick and torch, hoping to settle the rat, only to find a couple of hedgehogs enjoying a feast. They took no notice of me or the torchlight until I was very close, and then waddled off. During the summer they are often given a saucer of milk and become very tame.

There is a theory that hedgehogs are good things to the garden, eating slugs and such-like, but no one has to my knowledge come up with evidence to support it. My theory is that if you feed them, as my wife insisted on feeding the farm cats, hedgehogs rely on this, and if they are not fed, they will starve.

I read once that the hedgehog will make the hedge, but I have never seen it. When it hears a rat approaching, it rolls into a ball and is run over. Outside a few can be seen on the highway, but there are plenty about still and I have often seen them dash

What can we do about hedgehogs?

COUNTRY NOTES

JOHN CHERRINGTON

across the road in the car lights. Cypripes are said to eat them when broken. I have never tried one but in South America I tasted armadillo, a rather similar creature which, baked in its carapace, was a pleasant change from the eternal puchero or boiled beef.

The front garden bird table is an altogether more formal arrangement. The table is topped by a nest box where nothing ever is needed, although one a few feet away was taken over by tom tits as soon as I bung it up. There is an artistic stone bath, which an energetic blackbird can empty in, literally, half a dozen shakes; a smaller drinking basin; and, hanging from the table or a nearby bush, samples of the wire contraptions in which we put peanuts.

We use the table itself for what might be called the common fare; breadcrumbs and suet. The small birds don't get much a look in with these as the bigger birds such as rooks and magpies keep them off.

There have been none of the rarer birds yet; the sparrow hawk which patrols the hedge 50 yards away has not come any closer. The other day a covey of French partridges arrived. They took no notice of the food provided but made a dead set at the lavender, nipping off the leaves with gusto. A cure for avian vitiosis, perhaps?

What can we do about hedgehogs?

COUNTRY NOTES

JOHN CHERRINGTON

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FINANCIAL TIMES

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Saturday January 26 1985

Jilted by the City markets

IT USED to be Lord Wilson, when he was plain Mr Harold Wilson and Prime Minister, who accused the financial markets of selling Britain short; but television viewers on Thursday night were offered the surprising sight of Mrs Thatcher, once the heroine of the Square Mile, saying much the same thing in different language.

She complained that the market puts much too low a value on sterling; and on Thursday it emerged, from one of those embarrassing leaks the French enjoy perpetrating, that it was Mrs Thatcher in person, rather than any group of central bankers, who initiated the joint intervention which left the currency markets nervous and rather sluggish all week. It is an unlikely fate for the great apostle of market disciplines and even unlikely in the week when her triumph over the militant coalminers seemed imminent. Finally, last night, sterling fell after perfectly good trade figures were published.

What has gone wrong? There is no doubt more than there is something wrong. Earlier in the week a White Paper announced an intended three-year squeeze on public spending—something for which the City used to agitate continuously—was greeted with general incredulity, and little politeness. Greenwell's, whose senior partner, Mr Gordon Pepper, was once reported to have Mrs Thatcher's personal ear, issued a bulletin reproaching the Chancellor for suggesting that the sterling crisis might require a tighter Budget than he would otherwise have wished. Within a day or two Phillips and Drew, another major firm which has normally been quite supportive, commented that the Government was "drifting off-course". Meanwhile, the gilt market, by demanding high interest rates on government debt, is undermining the Government's strategy in the most practical way: this will inflate public spending.

The City has a few selfish motives for grumbling which ought at least to be noticed in passing. It is being shoved rather hurriedly into a partly unknown future: the one certainty is that the fixed commissions which have made so many brokers rich are going. There is a good deal of argument about how the change is being managed.

All this may account for a less than-enthusiastic mood; but the lack of confidence in UK assets is based on something more serious. City analysts, who are paid to excavate the facts behind any financial facade, have become increasingly aware that the Government's actions here and there are less than its published strategy. Money figures

produced by buying private debt off the market, public sector borrowing figures reduced by seemingly hasty and ill-considered sales of public assets, do not inspire confidence. Once investors have seen through one distortion, however innocent, they always suspect something worse.

This is not, of course, the kind of crisis of confidence which greeted Mr Wilson's second term 10 years ago. At this time in 1975, the market was near the bottom of the most precipitous fall in its history, with widespread talk of the collapse of capitalism. This time round the equity market clearly, strongly approved of the Government, which has helped profits to rise as fast as sterling has fallen.

What the numbers are saying is not that the system is under strain, but that it may start behaving in an inflationary way again: the market is buoyed simultaneously by higher profits and something of a flight into real assets. Equity values, property prices and the Government's own indexed stock are strong. Sterling and fixed-interest assets are weak.

As a short-term judgment, with inflation still low and the miners virtually beaten, this must seem a perverse fear. The Government probably has a better hope of seeing a slowdown in the rise of domestic costs than at any time since it took office. As a longer-term warning, though, the market could be right—especially about sterling.

Non-oil balance

The root of the problem is oil—not the modest fall in price which may or may not be confirmed by Opec next week, but our own production of it. The oil price worries have concentrated a good deal of attention on to a fact which might not otherwise have undermined sterling until next year. Britain's oil production will soon be peaking, and will then begin a gentle decline. At that point the slide in Britain's non-oil balance must be arrested, or it will really be in trouble.

We think these worries are greatly exaggerated. They overlook not only the income from the large overseas investment which Britain has made since 1979, but the large benefit industry is already feeling from the fall of sterling up to now. They also overlook the speed with which the current account will improve once the big power stations can burn as much coal as they like. But the Government could help its market image most by discussing all these facts, and the policies it is really pursuing, openly and frankly.

THE MINeworkers' strike, as a living entity with some sap left in it, is over. The final moves are of vital, perhaps paramount, importance: but they are the end game.

Mineworkers, marching now across dwindling picket lines, often tell TV and radio interviewers that they "can't see the point of it any more" or feel "this is the only way it'll end." One young miner, crossing the line at Kellingley in North Yorkshire on Tuesday morning, told his questioner "I'm sick, I'm sick to death. I support the strike, I can't stand it any more." Three days before, he had been on the picket line he was crossing.

Dennis Murphy, Northumberland miners' President, a man ferocious over the past 11 months in his prosecution of the strike, says: "Ye canna call these lads scabs any more. Not when they've been out 11 months." It is a canny judgment as well as a dispirited one: one third of Mr Murphy's members are back at work, and he will have to live with them afterwards.

But what kind of conclusion will it be? Humiliation or dignified retreat, as some now see it? Clear, honest settlement or just a pause, as miners perceive it? And what can we glimpse of the consequences?

The events of the last two weeks have illuminated one of the central issues. On Tuesday last week, at a Coal Industry National Consultative Council meeting, the two management unions—the British Association of Colliery Management (BACM) and the National Union of Mineworkers (NUM)—urged Ian MacGregor, the NCB chairman, to reopen talks with the NUM.

Ken Sneyd and Peter McNulty, the two clever and emotional men who lead the deontologies, walked out in theatrical disgust after ten minutes. Alan Wilson, BACM's secretary, stayed to press his case. Humiliation of the union, he told Mr MacGregor, should not be on his agenda, nor the Prime Minister's.

Mr Wilson got no public access for his propositions, nor did he expect any: but his threat of moderate rationality has always cut ice with the Board, and he believed it did so then.

The next day, at a meeting of the Coal Industry Social Welfare Organisation, the three miners leaders—Arthur Scargill, Peter Heathfield and Mick McGahey—talked at some length to Ned Smith, the NCB's Industrial relations director. Smith and Heathfield agreed, privately, to meet on the following Monday: their talks would be about talks.

The meeting was cleared through Mr MacGregor, who had been impressed by Wilson's arguments sufficiently to allow what he understood to be a commitment to go ahead. Ian MacGregor, contrary to the "butcher" tag which Arthur Scargill has with some success hung round his neck, is a man easily swayed by his associates. Besides, he did not know (though he might have suspected) that Ned Smith was after something greater than a mere acquisition of information.

Mr Smith, who retired from the NCB at the end of next week, at his own request. A former miner, he has already clashed with his chairman and with Jimmy Cowan, the deputy chairman, over the conduct of negotiations.

He has become increasingly convinced that the Board has

UK COAL STRIKE



Mr Arthur Scargill: confident, determined and now grim-faced as the options run out

The week the miners had nowhere else to go

By John Lloyd, Industrial Editor

thrown away the chance of getting a negotiated settlement that only he, with his deep knowledge of the individuals and the issues, could do so; and that he could pull off such a settlement before he retired.

His conversation with Peter Heathfield in the Cavendish Hotel on Monday produced a considerable degree of understanding, fundamentally that the Board, for its part, would continue to seek closure of uneconomic pits and that the union would continue to be

useful and constructive" was much nearer the mark. By Tuesday, an embarrassed Board was having to concede the meeting might have more substance than it had, at first, thought. By Wednesday, it was put about that Mr Smith had overreached himself.

By Thursday, in the middle of an executive meeting in Sheffield, desperate for talks, which had already ratified the Smith-Heathfield understandings, a statement from the Board was issued which said:

• The NUM must give a "written indication" that it would "help resolve the problem of uneconomic capacity."

• The union must recognise that the management must deal with the problems of uneconomic capacity.

• The union should "co-operate in this essential task" (of closing loss-making pits).

Mr MacGregor had pulled on the reins at last—very hard. The Prime Minister, appearing later that night on television, backed him: "Let's get it written down. I want it dead straight, honest and no fudging." She made it clear that the third party review of pit closures, provided for in the Nacods settlement last October, would not impede the Board's right to manage. No doubt the Prime Minister had stiffened the chairman's resolve: but he had himself objected to Mr Smith's initiative before the Thursday settlement.

The importance of these events is that there exists, and has existed throughout the dispute, two main currents within Government and the NCB. One, strongly favoured by the Board's senior, consen-

sual-minded officials, their Energy Department counterparts and, at least at times, Mr Peter Walker, the Energy Secretary, and Mr David Hunt, his Coal Minister, is that a negotiated settlement should result in a clear statement of the Board's right to manage and close loss-making pits, but not what could be seen as a public humiliation.

Mr MacGregor and the Prime Minister, together with their advisers (some of whom are common to both) have a different aim. That is to ensure that the end of the dispute makes it wholly clear that "Scargillism," which they define as a mixture of industrial co-operation allied to revolutionary ambition, must be seen to fail and fall utterly.

These two strands of thought and practice have coincided often—on the need to close loss-making pits, on management's right to manage, on the desirability of encouraging miners to return, on praise for the Nottinghamshire and other working miners. Now, though, as the stakes for the future have been raised, their essential differences have come to the fore. Naturally, the Prime Minister and the Chairman of the Board have won out.

For the demoralised mineworkers' executive—which is, however, conducting a more orderly retreat than the NCB is handling its advance—it is now becoming painfully clear what they are being asked to swallow. None are under any illusion as to the weakness of their position: they are aware that they cannot hold their men, though some believe that a very large minority might

stay out indefinitely if no settlement is reached, and all clinging to the belief that the pound's fall (so advantageous to their dollar-denominated funds in the Luxembourg bank) began on the picket lines. They also have their pride. But that, as they know, comes before a fall.

The size of the fall is (roughly) this. They will have to agree to give, in writing, a guarantee that they recognise the central importance of uneconomic pits, and that the management has the right to

tackle them. In the course of the negotiations themselves, they will have to forego any unambiguous promise from the Board that the cut of 4m tonnes of capacity, or the closing of the five pits, are wholly withdrawn: that in some way, the Board will now write in that pits will be reviewed with an eye to how much they are losing among other factors; and that once the negotiations are over, Mr MacGregor can blink one more time into the TV cameras and say words to the effect of: "With this piece of paper, I can shut loss-making pits."

It is a huge amount to accept in one go, for an executive and especially for a President who were sustained, up to Christmas, by the chant "We will win, we will win, we will win." They may not be able to do so, especially since it is now clear

they will be given no spoonfuls of sugar to help the medicine go down. Worse, they may not even be able to insist that the many hundreds of criminal acts against NCB property be re-instated—as they have always said they would.

There is no doubt that the next round of talks—if there is to be one—will be the last: but its outcome need not be agreement.

Looming over the whole issue, as always, is the powerful driven figure of Arthur Scargill—can he throw off a lifetime of mining exactly what he has said he would do (for that is how he has behaved, throughout this strike) and make the compromises he has always anathematised?

It is a great question for the next few days, but there is no doubt that the final outcome. The failure of the 1984-85 miners' strike to deliver what its leaders promised—stopping the disciplines of profit and loss on the mining industry—will now have to be absorbed by the country, for none will this be a more bitter exercise than the Labour movement.

In 1926, when the General Strike was called off after a little more than a week and the miners fought on alone, the movement had at least staged something. The Labour Party leader Ramsay MacDonald was spared the epithet of traitor because no one expected him to do much anyway. Now, the Labour movement has been promised to assist and has done almost nothing; it has called on its forces and they have not marched; it has been fearful, distrustful, of the elemental force of "Scargillism" and has rendered its fears behind its hands.

All of these have occurred for wholly understandable, even "good" reasons: they will be terrifically damaging.

It will not, however, mean the end of Labour. In either its industrial or political forms, the leverage which many powerful groups of workers still possess will not be sensibly diminished by the miners' strike. Labour's heartlands remain its heartlands.

The miners' strike has been a disaster for the Labour movement, of course: yet it can survive, even profit from it, if it observes one of the great merits of Scargill and Scargillism. That is, when he uses rhetoric he means it, when he has a policy laid down by his conference he attempts to carry it out.

Thus, the Labour movement, its windbag militancy inflated to cover electoral weakness or plain confusion, was challenged by him to deliver on its promises. It could not. Further, Arthur Scargill's determination to stick rigidly to union policy and oppose pit closures caused his own ranks to split. The resulting lack of support inside and out of the union doomed the strike.

Those who pass resolutions, frame policies and make speeches in the Labour movement from now on may want to remember Arthur Scargill and what happened to him, his union and the movement, when he took them seriously.

Beyond that, it would be dangerous to draw such conclusions as that the unions in general, and the NUM in particular, were now perpetually neutered as it was to draw the conclusion, 10 years ago, they were perpetually rocks of the walk.

Airport policy

From the Chairman and Chief Executive, Britannia Airways

Sir—In a most interesting and thought-provoking article (January 18) you, *the Economist*, Correspondent cogently discuss the dilemma facing the Government in deciding its airport policy. With respect though, I suggest the writer has fallen into the trap of looking at all the London airports as being fully interchangeable. There is a great deal more to the London airports system than that of providing capacity to satisfy total volume. Account needs to be taken of the consumer. He should be recognised as "king": he is the passenger and his needs must be satisfied. Low-cost leisure travel already accounts for over 80 per cent of all international air travel from the UK. Essentially, the passengers on scheduled and charter flights to Europe, the Mediterranean, holiday destinations are already indistinguishable. Passengers for these destinations demand to travel from their local, regional airport. To the holiday maker, Gatwick, Stansted and Luton are their local airports and are not interchangeable.

To hamper whole plane charter flights from Gatwick will deprive the passenger of a service which he demands, given a free choice over most of the major departure points throughout the UK. This was done at Heathrow, a catchment area which certainly, to some extent, overlaps Gatwick, with the twofold result that passengers wishing to use Heathrow have been deprived of a service and have been left with the alternative of part charter. As a result, significantly more British passengers are now flying by foreign airlines than would be the case if the whole plane charter alternative was theirs.

To squeeze low-fare leisure charter passengers from Gatwick would be of far greater consequence both on the choice of the consumer and on the

clearly be directed to Stansted with little or no implications in the categories of private, cargo and particularly foreign originating charter flights.

Clearly, consumers and airlines attempting to satisfy those consumers wish to see the maximum development at both Heathrow and Gatwick before development at Stansted. D. H. Davison, Luton Airport, Beds.

M40 motorway extension

From Mr J. Sworder

Sir—The M40 motorway extension first mooted in 1963 has now, according to the Department of Transport "received the green light". Of its planned 31-mile length, from the present end of the M40 to the M25 near Birmingham, it is proposed that the first 11 miles should be dual two-lane, and the remainder dual three-lane.

Whatever the final alignment of this section around the sensitive Ot Moor, it seems a recipe for chaos later (particularly in the light of the Department's recent upward traffic projections) to plan a construction along 11 miles of what will almost certainly become the favoured alternative to the unloved M1.

Not only will this be for London-Birmingham travellers, but also for international traffic from the Kentish ports and Channel Tunnel to the Midlands and North-West. Such traffic will avoid the cost and ever worsening bottleneck of the Dartford Tunnel by passing to the South of London. The M40 will then beckon before the M1. Surely there are enough planning disasters on this route already with the dual two-lane sections of M20, M26 and M40 on which no provision was made for possible future widening to dual three-lane? Might sanity yet prevail?

Would the Minister review this important M40 extension's design capacity and ensure that it is built adequate for its national and international func-

Letters to the Editor

provision of third lanes at a later date.
 John C. C. Sworder,
 Thorpe House,
 Fordcombe, Kent

Missing Polish dimension

From Mr R. Erskine

Sir—Anthony Verrier's review (January 21) of *The Missing Dimension* refers to Professor Jean Stengers' essay "Enigma, the French, the Poles and the British". While Stengers is substantially accurate, he almost certainly goes wrong in one material particular, which is of some historical importance.

Polish deciphering methods for Enigma (bombe and perforated sheets) depended on a German procedural weakness: the double encipherment of the message key. Relying on Polish sources, which may not have clearly stated which Enigma "net" was being attacked, Stengers gives May 15, 1940 as the date on which the Germans stopped using double encipherment on the important Red (German air force) net. Professor F. H. Hinsley, however, in his magnificent series *British Intelligence in the Second World War*, states that the change took place on May 1 (vol 1, p 1091). Bearing in mind that the German offensive started May 10, Stengers date is more than a little unlikely: the middle of a battle is not the best time to change basic cipher procedures.

The date is of real significance in assessing the value of the Polish assistance to the British work on Enigma (where Hinsley is not so strong). The British

the Polish contribution made an indispensable contribution to that work. Countless thousands of people, on both sides of the conflict, therefore owe their lives to three relatively unknown Polish cryptanalysts and their British counterparts at Bletchley Park.
 R. Erskine,
 23, Haverhill Road,
 Belfast, NI.

Weighing up the pensions risk

From Mr T. Arthur

Sir—Lex on taxation of pension funds (January 21) is about part for the course on misconceptions and non-sequiturs, as usual the starting point is that all the various tax reliefs are "privileges".

While I view all taxation as theft and all reliefs as the return of the resources to their rightful owners, that is not the plank on which I wish to, or need to, argue: the narrower view of fiscal neutrality is quite sufficient.

Lex refers to unwinding financial distortions, striking a balance between fairness of taxation and preservation of the pension fund industry, and so on. But what elements of the present system represent unfair distortions?

The tax-free lump sum is certainly one, but Lex dismisses this as a candidate for reform on the grounds that the commitment to avoid retrospective change (a commitment which surely is fairly made) "first year revenue disappointingly small." Thus fairness is subordinated not to preserve the pension industry but because

being equally desirable on the grounds of fairness but dismissing this one as being too thorny. In fact why is it fair, given the taxation of the ultimate pension? Taxation of both input and output would put pension funds at a disadvantage to virtually all other savings media including life assurance. Yet this is what taxation of contributions involves—as is easily seen by assuming that all contributions are payable by members with the company "contributions" making the form of a salary rise financially neutral in every way.

Thus Lex arrives at the only remaining possibility—taxation of investment income which he again implies would contribute towards fairness and neutrality. Why? If considered against the alternative of pay-as-you-go, then assuming that pensions paid out of revenue are allowable as a management expense, has anyone shown that advance funding is financially superior? Or is it that tax relief is required to make advance funding merely neutral as against pay-as-you-go?

If alternatively considered against other personal saving media, taxation of investment at normal rates would certainly put pension funds at a disadvantage compared with life assurance (where the rate of roll-up is by no means fully net and often largely gross) and perhaps also compared with most other savings media unless capital gains are to be treated differently from income.

It is not only "fiscal opportunity costs" which render the figure of £5.5bn a cast overstatement of pension funds' tax privileges.

It becomes almost incidental to ask one further question. Under taxation of investment income, how would retrospective effect be avoided, not only in respect of contributions previously made but also (using the analogy of last year's removal of life assurance premium relief) in respect of contracts or arrangements previously made?

before? No doubt some fair as opposed to expedient solution will be found!
 T. C. Arthur,
 40-43, Chancery Lane, W2

Aspirations and candidates

From Sir Peter Vaneek

Sir—I cannot concur with Lord Whitelaw's comparison (in your interview of January 19) between candidature for an election to the House of Lords, and to the European Parliament. His cynicism about those who aspire, or have aspired, to Westminster is sadly true.

But there are also those, from 1979 until today, with more idealistic aims who should not be so tightly passed over. I can think of many of us, already successful enough in our past careers, not wishing to take part in the sometimes misunderstood activities of the Lower House in Westminster, but hoping to help our party and our country in the increasingly important forum at Strasbourg.

Sir Peter Vaneek,
 PO Box 560,
 London SW7.

Them and us

From the Managing Director, Thomas Christy

Sir—I read with astonishment your article on the Back Page of January 16 in respect of the exemptions from income tax granted to tax inspectors and other civil servants.

This highlights, yet again, the hypocrisy of the attitude of the Revenue towards round-sum allowances when made in the private sector.

My understanding is that such lump sum allowances for disturbance and other purposes are subject to tax in the hands of the recipient. This is an interesting contrast to their treatment in the hands of a civil servant.

F. P. L. Manson,
 Chichester, Sussex

BASE LENDING RATES

A.B.N. Bank	12 %	Hong Kong & Shanghai	12 %
Allied Irish Bank	12 %	Johnson Matthey Bkrs.	12 %
Amro Bank	12 %	Knowles & Co. Ltd.	12 1/2 %
Heory Ansbacher	12 %	Lloyds Bank	12 %
Armen Trust Ltd.	12 1/2 %	Mallinall Limited	10 %
Associates Cap. Corp.	12 %	Edward Mansson & Co.	13 %
Banco de Bilbao	12 %	Meghraj and Sons Ltd.	12 %
Bank Hapoalim	12 %	Midland Bank	12 %
BCCI	12 %	Morgan Grenfell	12 %
Bank of Ireland	12 %	Mount Credit Corp. Ltd.	12 %
Bank of Cyprus	12 %	National Bk. of Kuwait	12 %
Bank of India	12 %	National Girobank	12 %
Bank of Scotland	12 %	National Westminster	12 %
Banque Belge Ltd.	12 %	Norwich Gen. Trst.	12 %
Barclays Bank	12 %	People's Trst. & Sav. Bk.	12 %
Beneficial Trust Ltd.	13 %	Provincial Trust Ltd.	12 1/2 %
Brit. Bank of Mid. East	12 %	R. Raphael & Sons	12 %
Brown Shipley	12 %	P. S. Refson	12 %
CL Bank Nederland	12 %	Roxburgh Guarantee	12 1/2 %
Canada Permanent Trust	12 %	Royal Bank of Scotland	12 %
Cayzer Ltd.	12 %	Royal Trust Co. Canada	12 %
Cedar Holdings	11 %	J. Henry Schroder Wagg	12 %
Charterhouse Japhot	12 %	Standard Chartered	12 1/2 %
Chouartons	12 %	Trade Dev. Bank	12 %
Citibank NA	12 %	TCB	12 %
Citibank Savings	12 1/2 %	Trustee Savings Bank	12 %
Clydesdale Ltd.	12 %	United Bank of Kuwait	12 %
C. E. Coates & Co. Ltd.	12 1/2 %	United Mizrahi Bank	12 %
Comm. Bk. N. East	12 %	Westpac Banking Corp.	12 %
Consolidated Credits	12 %	Whiteaway Ltd.	12 1/2 %
Co-operative Bank	12 %	Williams & Glyn's	12 %
The Cyprus Popular Bk.	12 %	Wittrust Secs. Ltd.	12 %
Dunbar & Co. Ltd.	12 %	Yorkshire Bank	12 %
Duncan Lawrie	12 %		
E. T. Trust	12 1/2 %		
Essex Trust Ltd.	12 1/2 %		
First Nat. Fin. Corp.	11 %		
First Nat. Secs. Ltd.	11 %		
Robert Fleming & Co.	12 %		
Robert Fraser & Pines	12 1/2 %		
Grindlays Bank	12 %		
Guinness Mahou	12 %		
Hambros Bank	12 %		
Heritable & Gen. Trust	12 %		
Hill Samuel	12 %		

7-day deposits 8.75% 1 month 9.50% Fixed rate 12 months 12.50% 8.75% 12 months 12 months 9.00%

7-day deposits on sums of under £10,000 8.50% £10,000 to £50,000 9.50% £50,000 and over 10.50%

Call deposits £1,000 and over 9.50%

21-day deposits over £1,000 10.50%

Mortgage base rate

12-month deposits 8.75%

into the headlines—except that the headlines are about the disruption of the political arena in a country that could have far-reaching implications for the government and for other nationalised industries.

The immediate row is between Thames Water, headed by Roy Watts who was brought in by the Government from British Airways nearly two years ago to make the country's largest water authority more efficient, and Ian Gow, the Environment Minister responsible for the industry.

But behind the Department of the Environment's policy lies the tight network of controls imposed on the industry by the Treasury, which simply cannot afford to let Thames off the hook if the Government is to stick to its hard-fought plans to curb public sector borrowing.

At issue are both the extent to which the Government has a right—moral or legal—to force up prices beyond the industry's needs and the basis on which the authority's balance sheet is to be compiled.

The new financial targets laid down last autumn mean that Thames will have to increase charges to its 11m customers in London and the South East by 10 per cent from next April.

The Government is seeking higher profits and debt repayments to help pay for increased investment and to reduce demand on public sector borrowing.

The average current cost rate of return on assets is 10 per cent, compared with 1.9 per cent in 1982-83. This, the Government argues, compares with a return of 2.75 per cent for electricity supply and 4 per cent for gas.

All water authorities' borrowing is to be reduced in rapid stages, but in the case of Thames, the reduction takes the form of a smaller repayment of debt—£81m in 1985-86 compared with £12m proposed by Thames.

This is because Thames inherited very little debt in relation to the current value of its assets, which are generally in good shape because of London's supportive debt base and the magnificent sewerage sewers built by the Victorians.

With enforced payment of its £225m loans, Thames could be defunct in three years—rapidly followed by some other water authorities.

Since 1983, it says, when Mr Watts was appointed together with a "slimmed-down board" to run the authority along the lines of commercial companies, productivity and profits have each risen by more than 20 per cent.

A fact-sheet from Thames this month states boldly that the authority is now more profitable proportionately than any other public utility.

But, if there is a case for reducing the numbers, the latest issue of Public Bodies brings good news.

In the past year, according to Public Bodies, the Quango-sports' club (HMSSO, £10.5m, 90 of them were closed down. Since new ones insisted upon springing up the net loss was only 16, but this was progress in the right direction for the Prime Minister, who has the species as a whole in her sights.

The Committee of Enquiry into the Functions and Powers of the Island Councils in Scotland is another ex-Quango. Whatever their functions, the Scottish Office felt clearly that the committee itself had none.

It was disbanded, at an annual saving of £32,000. "Not long ago, the Committee on Artificial Insemination of Cattle was disbanded, at a saving of £16,000. And last July the Inquiry into Human Fertilisation was terminated, leaving the taxpayer £78,000 a year better off.

For some Quangos, there is life after death; they are re-incarnated under a new name, or merge with a similar body, or are replaced by a Mark II version carrying out the same task. But there is no reprieve for an organisation entitled the Steering Committee on Review of Health and Personal Social Services Work Function and Review Team. Whatever it did, it is to cease doing it in March; despite running to

plaque noting the arrival of General Garibaldi, who came to the Florida wine plant "for repose." He opens the visitors' book to show the signature of Count Giuseppe di Lampedusa, author of "The Leopard," who visited the plant in 1901.

And he promises that, under a new Italian law, the name Marsala will soon come off bottles of the sweet dessert wine. Only the dry Marsala, aged from one to 10 years, will carry the name.

Billions of lire are being spent on modernising the Florio plant, and additional billions will go into a new marketing strategy. And with the entry of a Grand Metropolitan subsidiary (GDM) into the Cinzano group, there is hope that Britons will again sample Lord Nelson's favourite drink.

Fairfax is Australia's 38th biggest company, with a market capitalisation of A\$420m, against one of A\$77m for Rupert Murdoch's News Corporation, and one of A\$47m for the Melbourne-based Herald and Weekly Times.

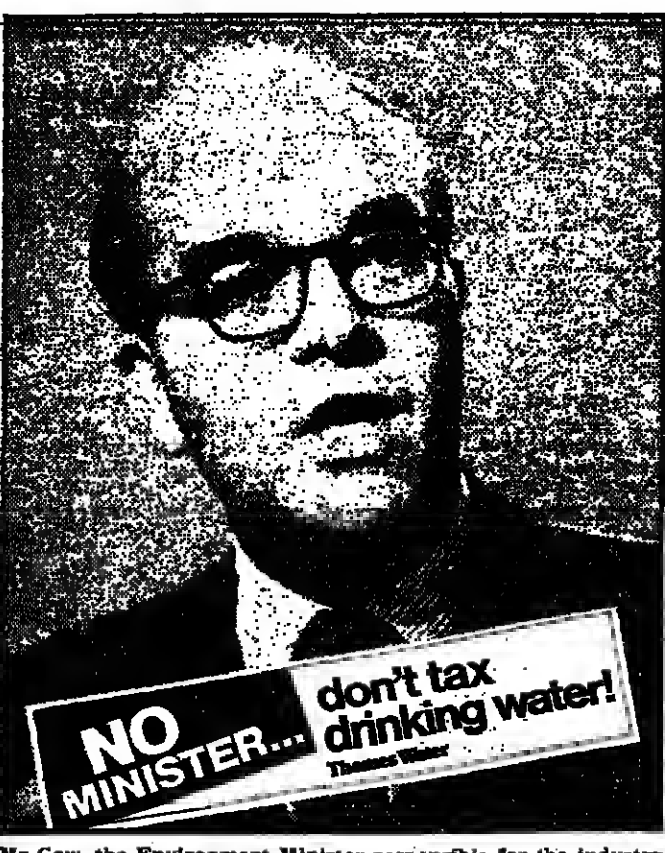
Together with Kerry Packer's Consolidated Press Holding (now a private company), these three have virtually a stranglehold on the media Down Under, though there are one or two fledgling media barons, such as Robert Holmes à Court and Alan Bond, both of Western Australia.

Fairfax takes a lofty view of the world, and of its place in it. In its last annual report, James Fairfax said that "all the Fairfax companies, products and services will continue to operate within our central philosophy of integrity and credibility." He added that "each will continue to operate in a substantially autonomous

Row over water charges

Thames swims against the tide

By Richard Evans and Walter Ellis



Mr Gow, the Environment Minister responsible for the industry

a cost base of £300m," it says, "Thames generates £200m cash, sufficient to finance its growing capital programme, pay back all loans due and yield £35m profit for Government."

Thames says that, with an increase in charges of only 3 per cent for 1985-86, it can generate income of £471m. This would allow it to meet all its own overheads, allocate £126m to capital investment programmes and still repay £18m in loans.

The Government, in seeking a 10 per cent price rise, is looking for an income of £505m, capital investment of £114m and a debt repayment of £81m.

One of the questions being asked by Thames is why the Treasury continues to insist that public utilities use current cost accounting. Now that inflation is more or less under control, less attention is paid to CCA in the private sector.

Watts notes that British Telecom switched back to historic principles the moment it moved out of public ownership.

Using historic cost accounting, Thames in 1985-86 expects a return on assets of 13 per cent. The Government, applying CCA, comes up with its figure of 1.9 per cent, which helps to justify its demands for increased charges.

Similarly, historic principles give Thames a net asset value this year of £930m; CCA produces a figure of £4,870m. Mr Watts argues that, in each case, the result is that the authority looks ripe for plucking.

In this case, the Chancellor is undoubtedly pressing for the accounting method that suits him. But while companies in the private sector are increasingly ignoring CCA, the Treasury can still argue that it is a more realistic method of accounting than the traditional historical-cost method. The CAA estimate of £4.87bn for Thames' asset value can be challenged but the principle that companies should attempt to value assets at today's prices is harder to refute.

The argument will come to a head over the next few weeks when Mr Gow lays a statutory instrument before Parliament implementing his proposals which, if opposed, will then be debated.

The Thames board is insisting it will go ahead with its planned increase in charges unless Parliament gives legal backing to the Government's initiatives, and there are warnings that the authority will be prepared to take Ministers to court should they seek to avoid Parliamentary debate.

Mr Watts is keen to promote a debate in the belief that the stand his board has taken will be supported not only by Labour and Alliance MPs but by many Conservative backbenchers. There are 149 MPs in the area covered by the authority and 120 of them are Tories.

Tory MPs are beginning to receive letters by the bundle from constituents alarmed at the sharp increases proposed

and many MPs are perturbed that a Tory Government, dedicated to championing the consumer, is instructing Thames to more than triple its planned charges.

Mr Watts, to his obvious irritation, expects to receive little practical support from the nine other water authorities in England and Wales as they, unlike Thames, are all borrowers to varying degrees. He points out, however, that under the Government's plans all authorities will be expected to repay their debts over a reduced period and will then find themselves in a similar position to Thames.

More substantial support will come from the leaders of other nationalised industries, particularly gas and electricity supply, and from the Confederation of British Industry, which has warned the Government that the sharp increases should not be used as a hidden tax. The CBI argues that at a time when the target is to cut industrial costs, huge increases in an essential commodity like water "must be regarded as a serious blow for manufacturing industry."

Mr Watts agrees that the present dispute is only the start of something much bigger. "The Government," he warns, "has legislation afoot to tidy up the nationalised industries and give it greater powers over their rates of return... The other nationalised industries are waking up to this. There will be the mother and father of a row by the autumn."

Racal's troubles in the U.S.

Sir Ernest upsets the City

By Jeremy Stone

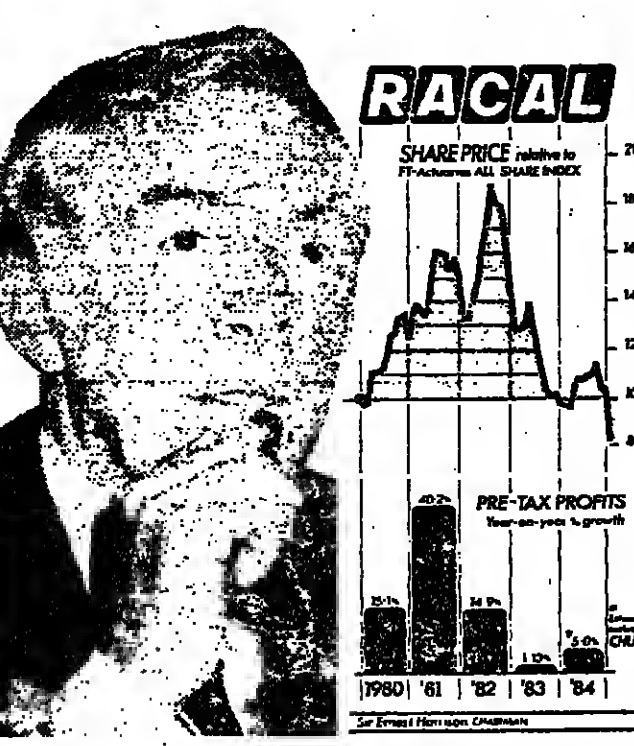
"THE BIGGEST COMPANY you've never heard of" is the slogan of Racal's recent television advertising, a curious admission of corporate self-doubt from a company whose turnover has grown from £50m to nearly £1bn during the past 10 years. This week there must have been many people around the stock market who wished that they—like the average television viewer—had never heard Racal's name. In just two days' trading, Racal's share price fell by 25 per cent, cutting the company's value in the market by nearly £400m.

For the third year in a row Racal's interim statement had caught the City on the wrong foot, this time coupling news of lower profits—which the market had been more or less prepared for—with the unexpected information that things had gone wrong in its Californian data-communications subsidiary Vadic. In the words of Sir Ernest Harrison, Racal's chairman, "that's a £15m of profit gone out of the window."

The market was not upset only about the missing profits, although former shareholders in Chubb remembered that they had been promised "a good increase" when their company was taken over after a tough battle last autumn—a claim which is being examined by the Takeover Panel. More seriously, followers of Racal had become worried that the succession of unpleasant surprises had gone beyond coincidence.

The new debacle at Vadic had an uncanny similarity to troubles at Racal's Miami branch two years ago; in between there was a sudden dearth of Middle Eastern orders for tactical radio, normally Racal's bread and butter. This week, even Sir Ernest admitted that there might be something amiss with the way Racal had managed its operations in the U.S.

Around the City, the question was put in a more wounding style. Racal's misfortunes had done serious damage to the credibility of its management. "When it will happen again and not where is probably now the fairer question," says a note issued by the stockbrokers James Capel. As it is only six months since Racal was showing off Vadic to visiting analysts as a star performer with a spotless record, its rapid reverse



Bob Hutchinson Trevor Humphries

does not say much for the quality of Racal's remote control or monitoring from London.

As recently as last August, Racal's decision to make a bid for Chubb was being justified, in part by the idea that the group was running on a sufficiently even keel for there to be a surplus of management—which could be put to good use in improving the performance of Chubb. That now looks to many City observers, an oversimple view. Even Racal's energetic deputy chief executive, Mr David Elsbury, cannot be in two places at once. Having parachuted successfully into Milco, he is widely regarded as a man who can turn an ugly situation round; but he must surely have his hands full for a while, deciding how to integrate Chubb.

Managing U.S. acquisitions is no easy thing, even with a fair wind. "The loyalty of American executives is only as strong as the share option scheme," explained one analyst yesterday. And in the electronics industry, almost more than any other, the fashion is for executives to be mobile. In the case of Vadic, Racal appears to have been almost too sensitive to the possibility of alienating the

now chastened and determined to look pretty frequently over its shoulder. Potentially the most rewarding chance is Racal's licence for a cellular radio network in the UK; the front-end investment is heavy but by the end of the decade Racal could be putting in £40m or so from its Vodafone network.

Meanwhile, the tactical radio business is reviving somewhat while the order book for large military systems continues to build up quite satisfactorily. It would only take a change in the political fortunes of Racal's Middle Eastern customers to throughput, and margins, to take off. If the Iraqis were to be settled, it would pump 20p on Racal's share price overnight, one broker said yesterday.

Of course, this week the price—212p last night—has fallen by a lot more than 25p. It would take a little more than a reversal of Racal's repeated ill-luck to repair it. Above almost everything, Racal's market rating has depended on its historical, impressive record of growth: in the heady days of the early 1970s profits were virtually expected to double each year and Racal could deliver. Since the purchase of Decca early in 1980, Racal's pre-tax profits have scarcely kept pace with the rest of the market; in the last couple of years, when many UK companies have enjoyed a geared recovery from a recession that Racal escaped, Racal's static performance has been made to look all the more disappointing.

As the brokers Scott Gorton point out, it is very hard to grow fast when you are already making over £100m a year. But the market is a very unforgiving place: "It always expects more, and it tends to forget how far Racal has already come." The same applies to several other leading electronics companies in Britain. After this week's shake-out Racal is still valued at about 14 times its likely earnings this year despite all the drama, that still leaves it at a slight premium to GEC and Plessey. But until and unless Racal can reassure the market—both about its capacity to manage and its chance of exceptionally fast growth—its stock market rating will not quickly recover.

Weekend Brief

New Quangos for old

THE ADVISORY Committee on Selection of Low-Priced Books is the best sort of Quango. Quango cost-cutting, Foreign and Commonwealth Office not more than £1,000 a year to run. Useful. It decided which books were worth subsidising for Third World universities. And best of all, dead: it was abolished last June and members no longer meet as a committee, but, unpaid, receive the volumes by post.

The Nelson tippie

"OUR MARSALA sold extremely well in Britain throughout the 19th century. I wish the British would now remember the taste and stop drinking so much port and sherry." With these words and a heavy sigh, Signor Vanni Grassotti, plant manager of the Florio wine factory in Marsala, on the western coast of Sicily, steered his car around the huge, 11m sq ft establishment.

Sig Grassotti and his masters—the Cinzano wine and spirits group—are out to persuade Britons that it was wrong to abandon their taste for the delicate and dry Marsala which, as appealed to Admiral Nelson that, on March 19, 1800, he signed an order for "five hundred pipes of the best Marsala wine" to be paid for in bills upon the Commissioner for victualling her Majesty's Navy.

After all, the founder of the Marsala wine industry was British. It was John Woodhouse, Esquire, an itinerant man of commerce, who in 1770 came to Sicily and while wandering round the African-looking port of Marsala, first sampled the local grape. So enchanted was he that he ordered nearly 30,000 litres to be loaded onto his ship, which then made for Liverpool, a voyage of 80 days.

On the way he decided that he would add alcohol to the Marsala wine to conserve its goodness. As soon as he had unloaded the kegs in Liverpool Mr Woodhouse found he was sold out. And so he hurried immediately back to Marsala, took time to buy a chunk of land along the port and begin full-scale production.

Springboard to Fleet Street

JOHN FAIRFAX, the Sydney-based media group that raised a few eyebrows in London this week with its purchase of the Spectator magazine from Algy Cluff, chairman of Cluff Oil, remains silent on its ambitions in Britain.

Last night James Fairfax, the company's chairman, politely declined an invitation to comment on the purchase of the Spectator. On the other hand, it seems a reasonably safe bet that Fairfax would jump at the chance to buy a Fleet Street newspaper, such as the Observer. If the opportunity arose, for it is brimful of confidence, and does not lack cash, Fairfax is the quality name in Australian journalism, publishing most of the country's best newspapers, including the AG of Melbourne, the Sydney



incarnated under a new name, or merge with a similar body, or are replaced by a Mark II version carrying out the same task. But there is no reprieve for an organisation entitled the Steering Committee on Review of Health and Personal Social Services Work Function and Review Team. Whatever it did, it is to cease doing it in March; despite running to

only four members, the committee steered its way through £92,000 a year.

"Probably in 1985" is when Public Bodies sees the winding up of the Policy Advisory Committee on Sexual Offences, unusual in possessing more female than male members.

Despite the corpses littering the pages of Public Bodies, 1,681 Quangos are showing strong signs of life. The three lucky members and one lucky chairman of the Government Hospitality Fund Advisory Committee for the Purchase of Wine would not give up their duties without a struggle; and the Foreign Office would not begrudge the nominal £1,000 they cost each year.

Whether it is lucky to be on the Advisory Panel on the Importation of Sexually Explicit Films for Health Purposes, only the seven male (to be sexually explicit) and one female member can tell. No cost is stated for this panel but there must be some expenses, if only for postage inviting the advisers to the next screening of a batch of cinematic masterpieces.

It follows that either the advisory committee never meets, or that questions should be asked about the £88 payments. Perhaps this is where the Prime Minister should look if she wants a way to bring the Quango total down to 1,680 at a stroke.

THE SPECTATOR

Morning Herald, the Australian Financial Review, and the National Times, which specialises in almost non-stop political scoops.

Fairfax also has significant television interests (ATN-7 in Sydney and BTQ-7 in Brisbane), plus the Macquarie radio network and a clutch of magazines. Its net profit in 1983-84 was a record A\$36.1m (£22.1m).

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manor."

All told, there are four Fairfaxes on the six-man board: James and his father, Sir Warwick Fairfax, Sir Vincent Fairfax, who is Sir Warwick's first cousin, and John B. Fairfax, son of Sir Vincent.

Although the Fairfax organisation is regarded as one of the cornerstones of power and influence in Australia, it has run afoul of Neville Wran's state Labor Government in New South Wales, which last year accused "the Sydney Morning Herald of conducting an 'absolute vendetta' against Wran and his government."

There was a touching rejoinder to this in the company's last annual report, where it claimed that a feature of the Herald's coverage last year was its "scrupulously fair and balanced reporting on the New South Wales election."

Members of the family have not always seen eye to eye. However, there is a definite possibility that their purchase of the Spectator is indeed planned as a springboard, that before too long they will be following Rupert Murdoch's hoof prints down Fleet Street.

Contributors

Jonathan Sale

Alan Friedman

Michael Thompson

BUILDING SOCIETY RATES

Share	Sub's	Others	
£/s	shares	%	
Abbey National	6.75	7.75	8.00 Seven-day account
Aid to Thrift	9.60	—	8.50 Easy interest acc. 90 days' notice or charge
Alliance	6.75	7.75	3.50-4.00 Cheque-Save
Anglia	6.75	7.75	8.00 7 days' notice, imm. wdl. If balance £2,500+ Int. pd. 4-yrly, mthly. inc. opt. if bal. £1,000+
Barnsley	7.75	8.50	8.50 Bank Save. Bal. of £2,500. Current account
Birmingham and Bridgwater	6.65	7.70	8.00 3-year bond. No notice. 3 months' penalty
Bradford and Bingley	7.50	8.50	8.50 Capital share. No notice. 3 months' penalty
Britannia	6.75	7.75	8.00 7 days' notice. No interest penalty
Cardiff	8.10	6.25	8.65 Special Inv. 0.65 2 years. 9.65 monthly income
Catholic	7.00	8.00	8.05 5 days' not. or 20 days' pen. for imm. wdl.
Century (Edinburgh)	8.85	—	8.75 90 ds. shrs. 90 ds. nt. or 90 ds. pen. for imm. wdl.
Chelsea	6.75	7.75	9.00 Premium Access. On demand, no pen. £1,000+
Cheltenham and Gloucester	—	7.75	8.50 High Income. 3 months' notice or 90-day pen.
Citizens' Regency	7.00	8.00	8.50 3 years. immediate withdrawal interest penalty
City of London (The)	7.00	7.75	8.45 3 months' notice. No penalty—monthly income
Coventry	6.75	8.00	8.45 21 days' not. int. access for amts. over £10,000
Derbyshire	6.75	8.00	8.75 2-year bond £1,000+. Close 90 days' notice and
Gatway	6.75	7.75	8.00 3 months' notice. No penalty. 2.25 diff. MoneyMinder inst. opt. mthly. inc. 8.50 £20,000+
Greenwich	6.75	—	8.35 £5,000+. 8.00 £1,000+ monthly inc. opt.
Guardian	7.00	—	8.75 7 days' notice. 8.00 £1,000+ monthly inc. opt.
Halifax	6.75	7.75	8.00 7-day Xtra. 7 days' notice, no penalty
Heart of England	6.75	8.00	8.25 28-day Xtra. 28 days' notice, no penalty
Hemel Hempstead	6.75	8.25	8.50 90-day Xtra. 90 days' notice, no penalty
Hendon	8.00	—	8.50 90-day notice. 8.00 5-day notice
Lambeth	6.80	8.00	8.25 90 days: 8.50, 28 days: 8.75, 60 days
Leamington Spa	6.85	—	7-4 a/c min. £500. 8.25 3 mths. a/c min. £1,000
Leeds and Holbeck	6.75	8.50	8.30 7-4 a/c. 8.00 Maximum a/c 6 wks. & less of int.
Leeds Permanent	6.75	7.75	8.60 Spa mthly. income: no not. no pen. £5,000 min.
Leicester	6.75	7.75	8.50 90-day sh. 1 m. not. or 28 days' pen. £1,000 min.
London Permanent	6.75	7.75	8.50 SuperShare: no not. 14 days' pen. £2,000 min.
Midlands	6.75	8.25	8.25 Monthly. int. 8.50 28 days' not. or pen. neither if £10,000 still in account
Mornington	6.30	7.80	8.00 Liquid Gold no not. no pen. HRAS 8.5 3 m. not.
National Counties	7.05	8.05	8.00 £500+ no not. no pen. 8.50 comp. 3 y. £2,000+
National and Provincial	6.75	7.75	8.25 90 d. not. or imm. wdl. no pen. £1,000+
Nationwide	6.75	7.75	8.75 2-year term 2.00 diff. guar. 3 mths. not. or pen.
Newcastle	6.75	8.00	8.00 £2K+. 8.65 £10K+. 8.80 £20K+. £2,000+
Norwich	6.75	8.00	8.00 90 days' notice, no penalty. £1,000+
Pekham	7.50	—	8.50 90 days' notice. 8.25 28 days' notice
Peterborough	6.75	8.05	8.50 Capital bond. 3 yrs. 90 days' notice/penalty
Portsmouth	6.75	8.25	8.25 Bonus-90, 90 days' notice/penalty
Portsmouth Owners	6.90	8.40	8.50 Super bonus. 28 days' notice/penalty
Scarborough	7.25	8.75	8.00 Bonus-7, 7 days' notice/penalty
Skipton	6.75	8.00	8.50 90 d. s' notice. 8.25 28 days' notice
Stroud	7.75	9.00	7 days' notice. On demand with penalty
Sussex County	6.75	8.40	0.00 2-year term access with penalty
Sussex Mutual	7.25	8.75	8.10 MoneyMinder plus £500 or over
Thrift	7.60	—	8.35 (£5,000-£19,999); 8.50 (£20,000 and over) 7 days' notice withdrawal, no penalty
Town and Country	6.75	7.75	8.50 New City Account, int. 8.00 no pen.
Wessex	8.80	—	8.50 7 d. s' not. 9.00 int. wdl. if over £2,000. Mth. inc.
Woolwich	6.75	—	8.75 Flexi-Plus 60 days' notice monthly income
Yorkshire	6.75	7.75	8.00 No notice. 8.75 2 months' notice
			8.95 3 years. 8.85 30 days. 8.60 36 days. 6.30 7 days
			8.00 3 mths. 8.60 28 d. 8.75 6 mths. Effective Dec 1
			8.75 2-year limited share. 1.75 guaranteed differential
			8.00 Sovereign £10,000+. 8.30 £500-£9,999. Monthly
			inc. 8.38. min. inv. £2,500. Inst. access no pen.
			8.50 3 months. 8.30 £10,000+. no penalty, no notice
			8.10 7 days' not. 8.30 ex. ac. 8.00 share a/c £2,500+
			8.50 Over £5,000 imm. wdl. Under £5,000 7 days' not.
			8.60 3-year term. Other accounts available.
			8.75 90 d. not. or pen. No not./pen. if bal. £10,000+
			8.25 7 d. not. or pen. No not./pen. if bal. £10,000+
			No notice—no penalties—mth. inv. £1
			8.00 7-day account. 7 days' notice
			8.25 Monthly Income Account. 28 days' notice
			8.50 90-day account. 90 days' notice/penalty
			8.50 Diamond key. 28 days' notice or 60 days' pen.

All these rates are after basic rate tax liability has been settled on behalf of the investor.

Hanson sets Tuesday as deadline in Powell bid

A DEADLINE of next Tuesday has been set by Hanson Trust for the success or failure of its £70m takeover bid for Powell Duffryn, the distribution and storage group.

Hanson said that its all-paper offer for Powell Duffryn, which had already been extended to January 29, would lapse on that date unless it had received sufficient acceptances to be declared unconditional. Hanson had previously made clear that its offer would not be increased. Lord Hanson, the chairman of Hanson Trust, questioned Powell Duffryn's decision this week to revise upwards its forecasts of both profits and dividends for the current year. He asked whether the higher dividends forecast were shareholders' interests, since dividend cover was being reduced to 1.5 times from three times cover five years ago.

It also asked what confidence there could be in the Powell Duffryn management team which it changed its profits forecasts so significantly and so rapidly.

Rui Lord Sandan, Powell Duffryn's chairman, said that the Hanson offer was a sign of weakness. "I suspect that Hanson is trying to pre-empt the favourable effort that an end to the miners' strike is likely to have on Powell Duffryn's share price."

Hanson Trust shares closed last night at 342p, up 9p on the day, which values its bid at 456p per Powell Duffryn share. Powell Duffryn shares opened at 428p yesterday, dropped to 425p after the Hanson announcement before closing at 430p, down 5p on the day.

Harvard Secs. in unsuccessful Ewart raid

By Michael Cassell

Harvard Securities, licensed securities dealer, yesterday launched an unsuccessful share raid on Ewart Northern, a quoted, Belfast-based property company.

Harvard tried to buy up to 61,985 ordinary shares in Ewart at 270p which, with the 55,000 shares it already owns, would have pushed its stake up to 116.9 per cent. Ewart shares were trading at 240p at the start of business yesterday, but closed at the price being offered by Harvard.

Mr Tom Wilmut, chairman of Harvard, said he was disappointed at the response to his offer but remained "very keen" to raise his stake in 15 per cent. He would consider his next move over the weekend. Ewart has a market capitalisation of just over £2m and last year recorded a net profit of £50,000. Formed from the amalgamation of two textile companies, Ewart has recently started to step up its investment and development programme in northern Ireland and in the mainland.

Mr Andrew Hugh Smith, a director of Ewart, said that the Harvard offer was "a price which reflected the fact that Ewart is a company with a high value, a figure which would be substantially increased during the current year."

Chair International, part of the U.S. Chair investment group, has sold its 21.96 per cent stake in Ewart Northern Investment, UK property and development group. The shareholding was built up during the last year. Mr Nicholas Kiteo of Chair would not say whether the shares had gone in a single purchaser.

Addison and Michael Page merge

BY MARTIN DICKSON

Addison Communications, a public relations group which came to the Unlisted Securities Market last October, is in merger with the Michael Page Partnership of executive recruitment consultants, to create a large new corporate communications consultancy. News of the deal sent the share prices of both companies soaring yesterday.

A new holding company, Addison Page, is being formed to hold for both companies in what is one of the first mergers between two USM companies.

Shares in Addison closed last night at 265p, a rise of 61p or 31 per cent on the day, while those in Page leapt to 375p, up 15p or a rise of 40 per cent. At these prices the two have a combined market capitalisation of £38m.

It is unusual for a company to announce a merger so soon after coming to the market but Mr Steve Smith, chairman of Addison, said the deal was "very fair" to shareholders who were "ticked pink" at the prospect of a very robust new business, with a strong management team.

Addison, founded seven years ago, is best known for its work designing annual reports and other publications for companies. Page, which came to the USM in 1983, specialises in accountancy, banking and financial appointments.

The two companies said yesterday that a merger would be a major opportunity for expansion, allowing them to offer a wider range of services in a combined corporate client list numbering about 1,000.

The new holding company will offer three of its new ordinary shares for every two Page ordinary shares and 11 of its shares for every ten Addison shares. Some 63 per cent of the new group will be made up of Page shareholders and 37 per cent of Addison.

The Page board estimated that its profits for the year to December 1984 totalled £1.35m—a rise of 124 per cent on the £604,000 for 1983—with earnings per share at 10.4p (15p).

Addison estimated that its 1984 pre-tax profits were £635,000 up 151 per cent on 1983's £214,000 and up 25 per cent on its USM launch forecast. Earnings per share were about 6.11p, compared to a pre-tax profit of 2.51p the previous year.

Mr Michael Page, chairman of the Page partnership, will become chairman of the new company and Mr Smith will be deputy chairman.

Directors of Page, who speak for 65 per cent of the company's equity, and board members of Addison, representing 72 per cent of their company's ordinary shares, have been undertaking to accept the merger terms.

Sangers restructures in offer for Pavion

THE DEAL under which Sangers plans to acquire the Pavion cosmetics group of the U.S., will involve the restructuring of Sangers' capital through a major scrip and a nine-for-eight rights issue.

A total of 27.8m of ordinary shares will be brought into existence. For every eight shares held, existing investors in Sangers can opt to take the nine new shares priced at 351p—compared with the September suspension price for Sangers of 45p—and can also accept £3 nominal of loan stock at par.

Some £2.2m of 11 per cent loan stock (1984 to 2002) is to be issued. Together with the new shares, this brings the total amount raised to a maximum of £18.4m.

estimated by Sangers at £18.4m, before expenses of some £1.8m. Paget Agencies, Mr Tom Whyte's Bermuda company, is to take up only half its allotment to both classes of security, accepting 6.8m of the new shares and £2.2m in the loan stock. The balance of the overall issue will be underwritten by Strauss Turnbull, in order to achieve a wider spread of institutional investors.

Mr Whyte will then sell Mr Stanley Acker, Pavion's owner, 2.8m of his shares for \$1m, representing some 95 per cent of the net of the shares to Mr Whyte's company. Accordingly, Mr Whyte's interest in Sangers—currently about 48 per cent—will be reduced to 29.9 per cent of the ordinary shares and 24.1 per cent of the loan stock.

Mr Acker, apart from his holding of the shares of Sangers, will enter a five-year service agreement which he has the option to renew for a further five years. He will also benefit from a bonus scheme and profit-sharing retirement plan, while Denver Cosmetics, set up by Sangers for the purpose of the transaction, will also have two properties from him and spend \$150,000 on improvements.

The acquisition of Pavion itself will be made for a maximum \$2.4m, of which \$1m is payable immediately on completion. The second, deferred, payment will be \$2.3m in cash, with the remainder in Sangers shares at a fixed price of 47p.

If Sangers' market price is below that level at the time, however, Mr Acker can opt for cash instead. The size of this third tranche will be related to the company's performance over the U.S. company, up to a limit of \$4.7m. A currency conversion rate of \$1.121 has been set, implying a maximum entitlement for Mr Acker of a further 8.78m shares.

Mr Robert Fensler of Pavion will also join the Sangers board. Mr Whyte has been appointed deputy chairman and will be responsible for the group's U.S. operations. Sangers is being advised in the deal by United Trust and Credit of Grosvenor Street, London.

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Mr Robert Fensler of Pavion will also join the Sangers board. Mr Whyte has been appointed deputy chairman and will be responsible for the group's U.S. operations. Sangers is being advised in the deal by United Trust and Credit of Grosvenor Street, London.

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Wholesale Fittings raising interim

Continuing difficult trading conditions have led to a reduction in operating profit from £1.91m to £1.76m at Wholesale Fittings, but the interim dividend is being lifted from 1.33p to 1.7p net per share.

In the six months ended October 26 1984 turnover of this electrical components distributor moved up £267,000 to £17,220k. Profit before tax came out at £2.11m, compared with £2.14m. After tax £850,000 (£1.12m) earnings per share are up from 7.4p in 8.3p.

comment

When a company has an excellent record, it is tempting to believe that the conveyor will just keep on running. Not so, as Wholesale Fittings demonstrates all too clearly with these disappointing first-half figures, a performance which slipped 15 per cent off the share price to 270p. There are no doubts about the company's underlying managerial and trading strengths, which are underpinned by a cash cushion of nearly £5m, but this time round these assets were less effective than usual at combating exceptional competitive conditions.

For one, the weak market meant that price rises were out. Secondly, there were no stock profits to benefit from this time. There was also the expense of the new Southampton depot and the extension of the company's headquarters building, the last three factors taking perhaps £0.3m out of the p and account. Since last October, prices have risen slightly but business remains tough, suggesting that the company may well only mark time this year. Taking a line through the interim tax charge the prospective p/e of 14 looks about right.

United News raises stake in Fleet

By Sue Cameron

United Newspapers—the fast growing group which owns the Yorkshire Post and Leeds Mercury—has topped its stake in Fleet Holdings to just under 19 per cent. Earlier this month United bought a 15.7 per cent stake in Fleet—owners of Express Newspapers—from Mr Robert Maxwell's Pergamon Press. The deal raised United's total interest in Fleet to 15.25 per cent. But it is now aiming for a 20 per cent interest which will entitle it to a pro-rata share of Fleet's profits.

Mr David Stevens, chairman of United, said last night that he had no intention of buying any more Fleet shares at the present time. He added that United had no intention of going over a 20 per cent interest.

There has been speculation that United might launch an all-out bid for Fleet. But last night Mr Stevens repeated earlier statements that United was holding its interest as a long-term investment and was not about to make a bid. United paid £82.6m for the Link House publishing group at the end of last year. The deal gave United a 31 per cent interest in the Yellow Advertiser News, a paper group, publisher of free sheets—one of the fastest growing sectors in the UK newspaper industry.

Last night the Essex-based Yellow Advertiser announced that it had bought a group of advertising papers and magazines from Haymarket Publishing for an undisclosed sum.

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Papua New Guinea's financial carrot for Ok Tedi holders

BY IAN HARGREAVES

SHAREHOLDERS in the AS1.6bn Ok Tedi copper/gold mining project in the jungle of Papua New Guinea have been offered financial "concessions" by the Government in the hope that this will persuade them to proceed with the full mine development plan.

The Government says it will cover the \$40m to \$50m cost of the next two years' work on a hydroelectric scheme, in return for which the mine's partners are asked to agree to transfer \$500m of debt to their own balance sheets and to accept a firm, revised timetable for mine development. This debt is already guaranteed by the companies involved.

The shareholders must also agree not to extract dividends from the first gold phase of the mining project until the second stage is built. In return, the Government will give the shareholders a 10 per cent share in the complete infrastructure for the first phase, notably a dam for the mine's waste of tailings.

The objective of the Government, which has threatened previously to close the mine if the partners insist upon their present strategy of exploiting Ok Tedi's gold reserves without developing the ore body's copper potential, is to delay the point at which the shareholders have to seek approval from their boards for a new phase of development.

It is hoped that this carrot, coupled with the implicit stick that the mine could be closed and the gold mining rights offered elsewhere, will persuade the shareholders to agree. The foreign shareholders are Broken Hill (30 per cent), Standard Oil of Indiana (30 per cent), Metallgesellschaft and Dugassa (7.5 per cent each), and the West German Development Company (5 per cent).

The Papua New Guinea Government, which owns 20 per cent of Ok Tedi, feels it is in a strong position in the negotiations because it has relatively little liability in the first phase of the project, and would be hurt less than the private shareholders in the event of a closure.

The timetable of development proposed by the Government envisages the entire Ok Tedi project be completed by March 1989. The shareholders have agreed to examine the plan, although difficulty is unlikely to be easy at a time when one of the partners is disengaging itself from the mining sector.

Cominco back in black but mixed final quarter

CANADA'S Cominco, diversified natural resources group, returned to profit in 1984, thus avoiding a repetition of the 1983 performance in which it made its first loss for 50 years.

It reported earnings of £24.2m (£16.4m), compared with the 1983 loss of £33.9m. The 1984 earnings were worth 9 cents a share after last May's three for one share split.

The group's mixed fortunes were reflected in the contrasting fourth quarter results of its main sectors. Mining and integrated minerals showed a pre-tax loss of £4.3m due mainly to lower zinc, silver and gold prices. (The 1983 fourth quarter had shown a £5.2m profit.)

Chemicals and fertilisers, on the other hand, showed a fourth quarter profit of £5.1m. But that was £5.4m less than the company's 1983 period. The group blamed lower sales and prices in early snow storms on the Canadian prairies and the U.S. Midwest.

Over 1984 as a whole, sales were £210m higher at £51.55m, and despite the disappointing fourth quarter results, mining and integrated minerals converted their 1983 loss of £33.9m into a pre-tax profit of £48.8m.

The profits stemmed from higher margins on refined zinc, zinc concentrate and gold, which partly offset the lower profits on copper concentrates and silver. Sales volumes also picked up on all major metals and concentrates except lead.

The year's profit on chemicals and fertilisers nearly doubled from £3.8m in 1983 to £8.6m, with volumes also up slightly.

Assessing the prospects for 1985, Mr Norman Anderson, chairman and chief executive, showed cautious optimism, predicting better consumption of zinc and lead.

Metal price fall hits profits at N. Broken Hill

North Broken Hill Holdings says that a major decline in metal prices was the main factor behind a fall in first half pre-tax earnings from A\$24.3m to A\$5.35m (£4.4m).

The interim dividend has been halved to 10 cents per share on the enlarged capital of 367.75m (£24.55m) shares.

The company says that mining and smelting operations, including refractory results from EZ Industries, recorded a pre-tax loss of A\$14.83m for the 24 week period to December 12, 1984. In the previous period, its Broken Hill base metal mining operations reported a profit of A\$850,000.

Increased production and the depreciation of the Australian dollar against the U.S. dollar partly offset low metal prices.

But the company warns that unless there is a substantial increase in metal prices the full year result will be poorer than last year's A\$31.3m in the year to June 30, 1984.

Efforts continue towards productivity and metallurgical improvements but the mining and smelting divisions' results will be dominated by metal prices, the company added.

Pre-tax profits of the other main operating division, forestry and paper, fell from A\$16.51m to A\$13.03m.

Rises in the price of fuel oil and imported pulp (due to the weaker Australian dollar and lower margins on paper sales) contributed to the poorer result, although these factors were partly offset by increased demand for forest products.

Hampton Areas to lead Colorado gold venture

THE LARGEST single shareholder in the Centennial and Marathon companies is Hampton Gold Mining Areas, following refinancing of the Colorado gold exploration joint venture, in which all three have been involved since 1983.

Hampton said it now planned to implement a new programme of assessment work for both companies, involving cuts in overheads and jobs. It quoted Under the agreement, Hampton has effectively exchanged its interests in the joint ventures, in which it made an initial contribution of \$7.5m, for a 38.75 per cent direct stake in both Centennial and Marathon, which are on the Denver over-the-counter market.

Between them, the two companies own a total of 245,000 acres near Craig, Colorado, and are trying to establish large-scale open-pit gold mining operations.

Mr George Livingstone-Learmonth, Hampton's managing director, said in London yesterday that the agreement would set the project on a firmer basis. "We'll be taking a very much closer grip on the way the com-

panies carry on the assessment," he said.

The original intention, he said, had been to complete assessment of the project by the end of last year, but it had since become apparent that there would be a more complex operation than first thought.

But he added that the company was still basically confident in the project, despite the drop in the gold price.

The restructuring, Mr Livingstone-Learmonth said, was a "natural" one, as both Centennial and Marathon, and his family are all but bowing out of the companies, retaining an interest of about 5 per cent in Centennial's restructured capital.

They have relinquished some 18.4m shares in Centennial, representing about 57 per cent of its previous capital. About 10m of these have been returned to Centennial, and the balance assigned to Hampton. Centennial has also handed over in Hampton 38.75 per cent of Marathon's capital, out of its previous 32 per cent holding.

Hampton said the idea of merging Centennial and Marathon, announced by them last August, would be re-examined in due course.

SUMMARY OF THE WEEK'S COMPANY NEWS

Take-over bids and deals

Instead of launching a full bid for Silyn, the shoe retailer with 300 shop properties, Mr John Ribbit's property group British Land made a tender offer for up to 942m limited voting ordinary shares at a maximum price of 185p each. If the offer is successful, British Land's equity holding in Silyn will increase from 7.2 per cent to a maximum 59.9 per cent. Its voting power, however, because of Silyn's unusual capital structure, will rise from 4.2 per cent to only 20.9 per cent since the Ziff family controls 43.8 per cent of the vote through management shares, which carry 10 times the voting power of ordinary shares. The tender offer may enable British Land to secure a majority of Silyn's equity without embarking on a general offer which, in the face of Ziff family opposition, would stand little chance of success. A full bid by Harris Queensway for Silyn last year was blocked by the Ziff family in this manner, despite Harris winning acceptances covering more than half the equity. Silyn shareholders may tender their shares to British Land at any price up to 185p each, and may opt to receive cash, or British Land shares to the same value based on a British Land share price of 120p.

The battle for control of hospital equipment and engineering concern Huxford and Horton rages on with Northfield Healthcare Trust increasing its offer to 39.2m, the latest bid to SHT shares, plus 38p cash for every three Huxford and Horton shares—values the latter at approximately 241p per share and tops London and Midland Industrials' recently revised bid by about 51m. SHT has now agreed to sell H. and H.'s quarrying and ready mixed concrete activities (the Horton companies) to Ticon a member of the RTR group, for £5m. LMI has already agreed to sell the Horton businesses to Redland for £4.45m.

Hutchinson Whampoa, the Hong Kong trading company, is paying HK\$2.9m (£330m) for Hongkong Land's controlling 33.8 per cent stake in Hongkong Electric, the smaller of the colony's two power generating companies. The deal is designed to ease Hongkong Land's debt problems which have arisen since the collapse of the territory's property market two years ago.

UK advertising group Saatchi and Saatchi is continuing its rapid U.S. expansion via the purchase of Kleid, a New York company providing advice on direct marketing, for £13.3m.

Company bid for	Value of bid per share**	Market price**	Price before bid	Value of bid £m's*	Bidder
Prices in pence unless otherwise indicated.					
Bath & Portland	2495	55	298	39.81	Beazer (C.M.)
Bath & Portland	3005	298	277	61.80	Cons Gold Fields
Butterfield-Hy	25	25	241	1.21	Technology Inc
Candoo (Sir J)	1101	113	105	18.69	Norton Opax
Chimney Works	96	97	71	60.24	Ladbroke
Cullen's Str-A	475	470	385	4.75	Whitting 106
Cullen's Str-A	375	370	260	3.75	Whitting 106
Dunlop	22	37	31	32.72	BTR

Prices in pence unless otherwise indicated.

PRELIMINARY RESULTS

bid for	share**	price**	bid	fm**	Sidder
Prices in pence unless otherwise indicated.					
Elson & Robbins	8713	54	68	8.66	Hartins Group
Glanfield Life	491	51	49	2.99	Gregory Sees
Glaxo Healthcare	550*	5.58	408†	682.00	BAT Ltd
Harrison, T. C.	73*	84	49	167	Harrison, T.C. Gr
Hoskins & Horton	3313	330	188	8.84	Lon & Mfd Inds
Hoskins & Horton	3340s	330	210	6.37	Scottish Horrible
Leach (Wm.)	1731s	177	134†	23.95	Beazer (C.H.)
Lox & McStr Sees	9	9	10†	2.91	Animal Estates
Powell Duffry	456	430	340	172.73	Hanson Trust
Striving Guarantee	791	77	325†	254.21	P & O
Trident TV Ord	249s	260	209	3.64	Pleasurama
Trident TV 'A'	237s	260	219	110.24	Pleasurama
Voyager Petrol	55*	55	51	5.30	BP
Westhens Group	142s	133	140	17.98	Oceopus Poblthg
Whittington	261s	251	22	11.40	Aikhen Hunt

* All cash offer. † Cash alternative. ‡ Partial bid. \$ For capital not already held. ** Unconditional. ** Based on January 25 1983. †† At suspension. ‡‡ Shares and cash. ‡‡ Related to NAV to be paid.

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INTERIM STATEMENTS

Company	Half-year to	Pre-tax profit £000	Interim dividends* per share (p)
Beales, John	Nov	230 (232)	1.3 (1.15)
Britt Blount Agency	Sept	471 (386)	2.5 (—)
Bronis Cast & Mech	Sept	84 (78)	0.9 (0.75)
Copson, F.	Oct	50 (65)	— (—)
Fitch Lovell	Oct	7,020 (7,630)	3.0 (2.5)
Geller, & J.	Sept	405 (405)	1.9 (1.9)
Global Group	Oct	182 (207)	1.0 (—)
Hallic	Oct	265 (152)	3.0 (3.0)
Hampson Ind	Sept	483 (409)	0.5 (0.5)
McCarthy's Pharm	Oct	2,120 (1,885)	2.3 (2.0)
Morantville House	Oct	27,510 (30,510)	4.0 (3.75)
NME Facilities	Dec	201 (120)	0.7 (0.55)
Overmark, Louis	Sept	823 (28)	4.5 (4.5)
Owen & Robinson	Nov	26L 114L	— (—)
Parkdale Hldgs	Oct	65 (81)	— (—)
Pennine Res	Sept	232L 141L	— (—)
Racal	Oct	47,180 148,730	0.77 (0.73)
Real Time Control	Sept	118 (415)	— (—)
Restman Group	Nov	804 (793)	0.75 (0.75)
Saville Gordon, J.	Oct	1,020 (510)	1.4 (1.1)
SECT	Oct	839 (589)	1.4 (1.1)
Sodastream	Oct	2,000 (2,320)	— (—)
Somperex	Oct	1,468 (—)	— (—)
Stewart Plastics	Oct	1,700 (1,610)	0.88 (0.79)
Stone Int'l	Nov	3,169 (2,630)	1.46 (—)
Stroud Riley	Sept	411 (505)	0.75 (0.75)
United Park	Oct	497 (461)	1.6 (1.4)

UK COMPANIES

INTERNATIONAL COMPANIES AND FINANCE

RESULTS: DUE NEXT WEEK

WITH the share price of Rank Organisation at a level not seen for more than a decade, Tuesday's scheduled announcement of preliminary profits for 1984/85 is expected to shine. The share price reflects all credit on the management's moves to restructure the UK and Australian and get out of property, but what the market will now be looking for is a statement of future intent. The company, analysts argue, is at the end of the stage where it can make progress from cutting out the poor performers, and should now be looking for a more constructive strategy. Such an announcement would be timely given the degrading earlier this week from the disposal of the group's Canadian property. Meanwhile, analysts are generally agreed that the full-year outcome will be in the range of £25m to £30m, against £28.3m last time, with firm growth coming from the advertising subsidiary, the exception of the OSL/Wings package tour, which has been losing market share against stiff competition. As far as the associate companies are concerned, Rank Xerox is expected to show the first signs of a recovery in its fight against Japanese competition in the copier market, although there are two uncertainties: the extent to which the results will be affected by the international currency fluctuations and whether the company's share of the 51m Japanese settlement will be taken above or below the line. The other associate, Telecom Plus, should be back in profit after the settlement of an industrial dispute.

Investors would be forgiven for thinking that the City's main interest in Rank lies in its apparently endless foundation with the House of Fraser. Next Thursday, however, the market's attention is firmly focused on the group's own affairs, when it announces preliminary results for the year to the end of September. The City is expecting to see profits up from last year's £12.2m to about £14m pre-tax. The brightest performance should come from the Princess Group of hotels in Mexico and the Caribbean and from the UK leisure interests, where the re-opening of the 45 Park Lane hotel is hitting in for the first time. UK motor distribution will have suffered slightly from the West German engineering dispute and the US dock strike, hitting Volkswagen imports. In Africa, commodity prices will have depressed sugar profits but boosted tea; in mining, weaker prices should be offset by the depreciation of the rand.

The results of discount houses are always difficult to predict and Union Discount, the second largest operation, is no exception. The year to December was not a good one for the sector with interest rates generally higher, though there was some respite towards the end of the year. Last year disclosed profits fell from £11.4m to £6.1m. Forecasts vary for 1984 from a slight improvement to a further drop of a couple of million pounds. The net dividend of 34p will probably be maintained.

Recovery at Bowater Inc extended with 58% rise

BY WILLIAM HALL IN NEW YORK

BOWATER INC, the biggest U.S. newsprint producer which was spun off from the UK-based Bowater group last May, is continuing its rapid profit recovery, increasing its profits from continuing operations by 58 per cent from \$35.6m to \$56.2m in 1984.

Fourth quarter earnings from continuing operations rose by a third from \$13.7m to \$18.2m. Net income for that period totalled \$29.2m, taking in an \$11m non-recurring gain from the sale of Bowater Home Centre Inc to Home Depot.

Earnings per share equaled \$2.23 (fully diluted) from continuing operations for 1984, compared with \$1.58 in 1983.

Mr Anthony Gamble, Bowater's chief executive, says: "The robust demand for newsprint experienced in the earlier periods of 1984 continued into the fourth quarter. Demand for light-weight coated publication paper continued to exceed the company's and the industry's ability to produce more tonnage. Operating income from both newsprint and coated paper was assisted by price increases put into effect at mid-year."

The group's operating income from newsprint rose 31 per cent to \$53.2m in 1984. But it was the non-newsprint operations which provided the most

impressive growth. Operating income from coated paper rose 69 per cent to \$36.8m and profits from market pulp sales rose more than four-fold to \$23.8m.

The company says that demand for its market pulp, 80 per cent of which is sold overseas, softened during the fourth quarter and prices became erratic due both to continued oversupply in the bleached kraft pulp market and to the continued strength of the U.S. dollar.

Bowater's sales rose 15.8 per cent in 1984 to \$881.8m with fourth quarter revenue rising from \$204.6m to \$231.1m.

American Brands posts record

BY ANDREW BAXTER IN NEW YORK

AMERICAN BRANDS, the U.S. tobacco group which owns Gallaher of the UK, has posted record profits although fourth-quarter profits rose only by 2 per cent, the "excellent growth" in most markets offset by the continuing strength of the dollar.

Net profits for the quarter rose from \$104m, or \$1.81 a share, to \$106.2m, or \$1.85, while those for the year

advanced from \$300.2m, or \$6.76 a share, to a record \$414.1m, or \$7.20.

Sales, however, fell from \$1.79bn to \$1.64bn in the quarter, and from \$7.09bn to \$7.01bn in the year.

Mr Edward Whittemore, chairman, said operating income records were established for both the quarter and the year. Gallaher had record sales and operating income in sterling

Profits at Skandia nearly wiped out

By David Brown in Stockholm

SKANDIA, Scandinavia's biggest insurance group, has announced a drastic fall in its 1984 results before extraordinary items, appropriations and taxes. The fall follows heavy losses in the group's non-life business, particularly in the U.S.

Earnings plummeted from SKR 696m (\$76.8m) in 1983 to only SKR 10m last year. The major decline came in international operations which registered losses of SKR 510m against a profit of SKR 407m achieved in the previous year.

In the U.S., where Skandia ranks among the seven largest re-insurance groups, heavy losses followed storm and hurricane damage as well as stricter liability verdicts in American courts.

Banco Filipino is declared insolvent

MANILA—Banco Filipino, the Philippines' largest savings bank, was declared insolvent yesterday and its small-depositor accounts were transferred to the state-owned Philippine National Bank (PNB) for safekeeping.

President Ferdinand Marcos made the announcement after the close of the week's banking business, saying Banco Filipino's "continuation in business would involve probable loss to the depositors and creditors."

Previously President Marcos intervened to reopen the bank in August after it closed for nine days following a dramatic bank run which had thousands of small depositors blocking streets outside the bank's 89 branches nationwide. At that time the bank had 3.1m savings accounts, mostly from middle and lower middle class wage earners.

Mr Marcos issued an unusual presidential statement assuring depositors that their savings were secure, and saying they could either withdraw their money or maintain their

MUI pays \$32.5m for Singapore property stake

BY WONG SULONG IN KUALA LUMPUR

MALAYAN UNITED INDUSTRIES has announced it has purchased a 24 per cent stake in United Overseas Bank, part of the United Overseas Banking group of Singapore, in a move which is likely to herald closer links between two of the highest and most rapidly expanding corporations in Malaysia and Singapore.

It is understood that the UOB group has welcomed MUI's participation in UOB, which is one of the largest property companies in Singapore. MUI representatives are invited to join the UOB board.

The UOB stake of 36m shares is being purchased by MUI's 77 per cent owned subsidiary, Malayan United Manufacturing, for 81m ringgit (\$153.5m) from Pembangunan Tani Baru (PTB), a relatively unknown company which has been actively buying UOB shares in recent weeks.

PTB is controlled by Mr Peh Kong Wan, a close business associate of Datuk on Kay Peng MUI's chief executive.

Deutsche Babcock to pay dividend

By John Davies in Frankfurt

DEUTSCHE Babcock, the West German heavy engineering concern, is resuming a dividend payment on ordinary shares after a two-year gap caused by heavy losses on overseas contracts.

The company, in which Iran has a stake of more than 25 per cent, proposes to pay DM 2.50 on each ordinary share with a nominal value of DM 50 out of results in its financial year to last September.

It is also proposing to pay DM 3.50 on each preference share with a nominal value of DM 100. It initially omitted a preference share dividend in 1981-82, when it suffered a group loss of DM 437m (\$139m), but it has since paid DM 2.50 per preference share for each of 1981-82 and 1982-83.

Babcock has not disclosed its profits for the last financial year, but said they were satisfactory and better than the previous year, when it moved out of the red with gross net earnings of DM 23.6m.

The group has been concentrating on more promising contracts.

Herr Helmut Wiemann, who has been pushing through a recovery programme since taking over as chief executive in 1983, said recently that Babcock must continue to cut costs to remain competitive.

It has already been announced that, with its selective approach to building contracts, Babcock's sales revenue fell last financial year to DM 7.1bn from DM 8.1bn, while new orders were down to DM 5.5bn from DM 7.1bn.

The latest dividend proposals are to go to the shareholders' meeting on April 17 for ratification. The company's last dividend on ordinary shares was DM 4.50 on its 1980-81 results.

Toray Industries raises turnover and earnings

TORAY INDUSTRIES, Japan's leading synthetic fibre manufacturer, yesterday reported consolidated net sales of ¥395.8bn (\$1.57bn) and net income of ¥8.18bn for the six months ended September 30.

Net sales and net income increased by 7.9 per cent and 35.7 per cent respectively, compared with the same period last year.

Sales of the group's main fibres, as well as specialty fibres and textiles, were successful, but sales of fabrics using polyester filaments were dull. As a whole, sales of synthetic fibres and textiles increased by 2.9 per cent over the corresponding period last year.

The company is forecasting group net sales of ¥410bn and net income of ¥15bn for the year ending to March.

● Mr Hiroshi Okanawa, chairman of Sanko Steamship, has strongly denied rumours that the company is in financial trouble again.

Sanko's reconstruction plan is making smooth headway with the firm support of major banks, he said.

Mr Okanawa was talking to newsmen as Sanko's stock price plunged by ¥12 to ¥90 amid rumours originating from the Hong Kong market that the company was in financial difficulty.

Referring to Sanko's three-year reconstruction plan starting in fiscal 1984, Mr Okanawa said that the company, although now in deficit, expected to reach the breakeven point in 1988 and earn a profit from 1989.

Of the many bulk carriers ordered by Sanko, 65 are already commissioned and operating, and a profit through efficient sailing plans, he said.

\$195m charge at Phelps Dodge

PHELPS DODGE, the loss-making U.S. copper producer, is to take a non-recurring pre-tax charge of about \$195m in the fourth-quarter of 1984 reflecting the costs of its continuing restructuring programme, writes Our New York Staff.

The company said it would also shortly be reporting operating losses for the year because of depressed copper prices. The charge includes a write-down of about \$88m on the disposal of the company's energy operations.

The charge also reflects the decision to sell certain other assets, and write-offs of smelter equipment and other facilities made obsolete by environmental requirements or other economic considerations, as well as the shutdown of certain other operations and employee costs.

Cray Research increases net for year by 73.5%

BY OUR NEW YORK STAFF

CRAY RESEARCH, the Minneapolis-based manufacturer of high-speed supercomputers, has lifted 1984 net earnings by 73.5 per cent despite a fall in profits for the first quarter.

The company, which dominates the market for large-scale computers, intended primarily for scientific uses, reported 1984 profits of \$45.3m or \$3.06 a share, up from \$26.1m or \$1.77 in 1983. The latest period includes a \$6m tax credit.

For the fourth quarter, net profits fell from \$13.3m or \$1.31 a share to \$16m or \$1.08 a share, but rose from \$26.1m to \$70.9m, or \$4.59 a share, in 1984.

Cray's sales fell 51 to \$637m in early trading yesterday, but the apparent setback in the fourth quarter reflects the impact on revenues and profits of

the timing of installations. Cray installed nine computer systems—worth about \$9m—in the quarter, against 12 in the 1983 period.

Mr John Rollwagen, chairman, said that company installed 23 new systems in 1984, against 16 in 1983. Demand for the systems remained extremely strong and more than half of expected 1985 installations were already under contract.

Cray faces new competition this year when Andahl, the U.S. computer company, will begin selling Fujitsu's supercomputers in the U.S. But some analysts believe that competition from Fujitsu and other Japanese companies could expand the market for supercomputers, which are increasingly finding commercial engineering applications.

Pfizer \$60m higher in 1984

PFIZER, a leading U.S. producer of prescription drugs, raised fourth quarter net profits by \$10.1m to \$129.3m, or from 72 to 78 cents per share, our Financial Staff writes. This took the total for the whole of 1984 to \$507.9m, or \$3.08, from \$447.1m, or \$2.73.

Sales, however, were down in the quarter at \$966.3m, against \$972.9m last time, after conversion despite a 3 per cent rise in local currencies. For the year they reached \$3.85bn.

P & G second-quarter setback

BY OUR NEW YORK STAFF

PROCTOR AND GAMBLE, the U.S. consumer products giant which is investing heavily in several new products, has reported a 36 per cent drop in second quarter net income to \$137m from \$214m.

The group has been warning analysts that its profits in the short term would be under pres-

sure because of the costs of its various product launches.

Earnings per share were 81 cents in the latest quarter, which compares with \$1.34 per share in the first quarter of the current year and \$1.22 per share in the same period last year.

In the latest period group sales rose 7.7 per cent to \$3.37bn.

Delta Air Lines boosts payout

BY OUR NEW YORK STAFF

DELTA AIR LINES, the major U.S. carrier, has reported an 81 per cent surge in second quarter net earnings—helped by gains from the sale of aircraft—and raised its quarterly dividend from 15 cents to 20 cents a share, the first increase since 1981.

Delta, which has recovered sharply from heavy losses in the 1982-83 fiscal year, posted second quarter net profits of \$73.9m or \$1.85 a share, up from \$40.7m or \$1.02 in the comparable 1983 period.

First half profits have jumped from \$51.1m or \$1.28 a share to \$134.1m or \$3.36 a share, with revenues rising from \$2.04bn to \$2.24bn in the six months, and from \$1.06bn to \$1.12bn in the quarter.

Consolidated Tern price for USM placing is 105p

USM IS being raised by Consolidated Tern Investments, a Welsh property development, building and plant hire group, through a flotation on the Unlisted Securities Market.

Merchant banker Robert Fleming is placing 1.7m shares at 105p each. Of these, 600,000 are being sold by existing shareholders, primarily the directors, and the remaining 1.1m are being sold on behalf of the company.

The shares placed equal about 24 per cent of the group's capital. After the flotation, the chairman and chief executive, Mr Roger Wisenden, and the company secretary, Mr Alan Edwards, who together founded Tern in 1971, will respectively speak for 30.2 per cent and 23.7 per cent of the equity.

Tern was one of the pioneers of the design and build method in South Wales. Pre-tax profits over the past five years have grown from £419,000 in 1980 to £736,000, on turnover of £16.6m, in the year to September 1984. Tern is capitalised at £5.3m at the placing price. It is not making a profit forecast, but plans to pay 5p net dividend for the current year, which represents a 5.5 per cent yield at the placing price.

On a 47.5 per cent tax charge the group earnings per share for 1984 are 13.7p, putting the shares on a multiple of 7.7 times at the placing price.

The money being raised is to be used for further property development projects, and to expand the group's existing plant hire operations in southern England. A broader capital base will allow Tern to take greater advantage of future opportunities, say the directors.

Dealings are expected to begin January 31.

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COMPANY NEWS IN BRIEF

Ruo Estates Holdings reports sharply higher taxable profits of £1.5m, against £425,000 in 1983. The dividend total is being more than doubled from 7p to 16p with a final payment of 12p against 5p. Turnover amounted to £2.7m (£2.98m). Ruo is a 51 per cent owned subsidiary of Eastern Produce (Holdings), and has interests in tea estates, tobacco, timber and grazing in Malawi.

Tax for the year was £2.15m (£1.75m). Earnings per share are stated at 151p (49p) on a net basis, and 157.5p (52p) on a nil basis.

Ships have appeared in numbers for the first time since the British Telecom Alexandra Workweek offer for sale of 4.3m shares at 100p each.

The offer has been nearly 90 times oversubscribed, with 90,000 applications tendered for a total of 394,000 shares.

Employees of this manufacturer of workwear and career-matched 175 applications for 202,100 shares, which have been allotted in full.

The remaining 438,900 shares have been allotted as follows: applications up to 18,000 shares—weighted ballot for 200,000 shares; 18,000 to 25,000 shares—40,000 shares; 25,000 to 35,000 shares—20,000 shares; 35,000 to 45,000 shares—10,000 shares; 45,000 to 55,000 shares—5,000 shares; 55,000 to 65,000 shares—2,500 shares; 65,000 to 75,000 shares—1,250 shares; 75,000 to 85,000 shares—625 shares; 85,000 to 95,000 shares—312 shares; 95,000 to 105,000 shares—156 shares; 105,000 to 115,000 shares—78 shares; 115,000 to 125,000 shares—39 shares; 125,000 to 135,000 shares—19 shares; 135,000 to 145,000 shares—9 shares; 145,000 to 155,000 shares—4 shares; 155,000 to 165,000 shares—2 shares; 165,000 to 175,000 shares—1 share; 175,000 to 185,000 shares—0.5 shares; 185,000 to 195,000 shares—0.25 shares; 195,000 to 205,000 shares—0.125 shares; 205,000 to 215,000 shares—0.0625 shares; 215,000 to 225,000 shares—0.03125 shares; 225,000 to 235,000 shares—0.015625 shares; 235,000 to 245,000 shares—0.0078125 shares; 245,000 to 255,000 shares—0.00390625 shares; 255,000 to 265,000 shares—0.001953125 shares; 265,000 to 275,000 shares—0.0009765625 shares; 275,000 to 285,000 shares—0.00048828125 shares; 285,000 to 295,000 shares—0.000244140625 shares; 295,000 to 305,000 shares—0.0001220703125 shares; 305,000 to 315,000 shares—0.00006103515625 shares; 315,000 to 325,000 shares—0.000030517578125 shares; 325,000 to 335,000 shares—0.0000152587890625 shares; 335,000 to 345,000 shares—0.00000762939453125 shares; 345,000 to 355,000 shares—0.000003814697265625 shares; 355,000 to 365,000 shares—0.0000019073486328125 shares; 365,000 to 375,000 shares—0.00000095367431640625 shares; 375,000 to 385,000 shares—0.000000476837158203125 shares; 385,000 to 395,000 shares—0.0000002384185791015625 shares; 395,000 to 405,000 shares—0.00000011920928955078125 shares; 405,000 to 415,000 shares—0.000000059604644775390625 shares; 415,000 to 425,000 shares—0.0000000298023223876953125 shares; 425,000 to 435,000 shares—0.00000001490116119384765625 shares; 435,000 to 445,000 shares—0.000000007450580596923828125 shares; 445,000 to 455,000 shares—0.0000000037252902984619140625 shares; 455,000 to 465,000 shares—0.00000000186264514923095703125 shares; 465,000 to 475,000 shares—0.000000000931322574615478515625 shares; 475,000 to 485,000 shares—0.0000000004656612873077392578125 shares; 485,000 to 495,000 shares—0.00000000023283064365386962890625 shares; 495,000 to 505,000 shares—0.000000000116415321826934814453125 shares; 505,000 to 515,000 shares—0.0000000000582076609134674071875 shares; 515,000 to 525,000 shares—0.00000000002910383045673370359375 shares; 525,000 to 535,000 shares—0.000000000014551915228366851796875 shares; 535,000 to 545,000 shares—0.0000000000072759576141834258984375 shares; 545,000 to 555,000 shares—0.00000000000363797880709171294921875 shares; 555,000 to 565,000 shares—0.000000000001818989403545856474609375 shares; 565,000 to 575,000 shares—0.0000000000009094947017729282373046875 shares; 575,000 to 585,000 shares—0.00000000000045474735088646191865234375 shares; 585,000 to 595,000 shares—0.000000000000227373675443230959326171875 shares; 595,000 to 605,000 shares—0.0000000000001136868377216154796630859375 shares; 605,000 to 615,000 shares—0.00000000000005684341886080773983154296875 shares; 615,000 to 625,000 shares—0.000000000000028421709430403869915771484375 shares; 625,000 to 635,000 shares—0.000000000000014210854715201934957887234375 shares; 635,000 to 645,000 shares—0.0000000000000071054273576009674789436171875 shares; 645,000 to 655,000 shares—0.00000000000000355271367880048373947180859375 shares; 655,000 to 665,000 shares—0.000000000000001776356839400241869735904296875 shares; 665,000 to 675,000 shares—0.0000000000000008881784197001209348679521484375 shares; 675,000 to 685,000 shares—0.00000000000000044408920985006046743397607421875 shares; 685,000 to 695,000 shares—0.000000000000000222044604925030233716988037109375 shares; 695,000 to 705,000 shares—0.0000000000000001110223024625151168584940185546875 shares; 705,000 to 715,000 shares—0.00000000000000005551115123125755842924700927734375 shares; 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WILLIAM S. BROWN

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Nervousness

before weekend

NARROW MOVEMENTS were recorded on Wal Street yesterday, when the market paused after its early week advance.

By 1 pm the Dow Jones Industrial Average held unchanged at 1270.45, netting a rise of 43.07 on the week, while the NYSE Composite Index, at \$102.17, gained 11 cents on the day and \$2.13 on the week. The Transport Index shed 0.35 to 604.07, reducing its rise on the week to 28.35. Trading volume dropped 43.9m shares to 36.8m, compared with 1 pm Thursday.

Analysts said the morning report that December durable goods orders fell 2.1 per cent may have caused some nervousness among investors who recorded huge profits earlier this week.

In addition, Federal Reserve Board member Lyle Gramley said the Central Bank's fight against inflation might curtail future money supply growth should be restrained.

Fannie Mae, the volume leader, advanced \$14 to \$117, on turnover of 1.8m shares.

Talman, accumulating again surrounded Enserch, which improved \$14 to \$25 in active trading. Analysts said a 43 per cent rise in the company's natural gas reserves for 1974 Thursday could make it a serious acquisition candidate.

Phillips Petroleum, the beneficiary of numerous takeover rumours this week, put on another \$1 to \$44 and the third most heavily traded issue.

Several "large" investors are rumoured to be accumulating stock in the oil company.

Federal Reserve is expected to be interested in Phillips, although Pennzoil has not commented. Pennzoil's board had a regularly scheduled meeting

International Paper moved up \$14 to \$55; in active trading.

American Natural Resources was lifted \$2 to \$18 in heavier than normal trading.

THE AMERICAN SE Market Value Index firmed 0.02 to 219.89, making a gain of 8.50 on the week. Tradlog volume decreased 1.83m shares to 6.11m shares, compared with 1 pm Thursday.

CANADA

Canadian stock prices extended their wrooing streak into the tenth consecutive session with modest rises at midsession.

The Toronto Composite Index rose up 7.0 to 2,533.0, slightly off its high of 2,538.2 reached earlier in the morning. But Metals and Minerals shed 4.2 to 212.4. Golds 4.0 to 238.9 and Oil and Gas 3.3 to 3047.2.

Belmont, were active again. Bell Canada, which had recently raised its fourth quarter and year earnings and announced a \$3 share bid for Daou, unchanged at \$2.97.

TOKYO

Share prices closed sharply lower in active trading on Thursday's mixed Wall Street close and first-of-month bearishness, dealers said.

The Nikkei Dow Jones Market Average ended down 71.26 at 1,735.10, after recovering some of its 109.11 morning loss. Turnover 400m (350m) shares.

"The average plummeted in hectic trading until a mid-afternoon slowdown helped cool it off," said one dealer. "But the Japanese mood continued," he added.

The SE Index lost 6.53 to 9217.2. Volume 17m (same) shares.

International populars mostly fell.

Financials and Trading houses' declined across the board and most non-ferrous metals foods and textiles also eased.

U.S. Commerce Dept report that United States orders from some domestic makers of integrated circuit assembly machines have been cancelled caused related medium-sized company's shares

NARROW MOVEMENTS were recorded on Wall Street yesterday, when the market paused after its early week advance.

In addition, Federal Reserve Board member Lyle Gramley said the Central Bank's fight against inflation is not finished and future money supply growth will be restrained.

Familiar place in volume leader, advanced \$1, to \$117 on turnover of 1.8m shares.

Takeover speculation again surrounded Enserch, which was reported \$1:25 in early trading. Analysts said a 43 per cent rise in the company's natural gas reserve reported Thursday could make it a serious acquisition candidate.

Phillips Petroleum, the hedge-fund favorite takeover target, advanced \$1:58 to \$48; and was the third most heavily traded issue. Several "large" investors are rumored to be accumulating shares in the company.

Pennzoil was also rumored to be interested in Phillips, although Pennzoil has not commented. Pennzoil's board had a regularly scheduled meeting

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Share prices closed sharply lower in active trading on Thursday's mixed Wall Street close and end-of-month bullishness, dealers said.

The Nikkei Dow Jones Market Average ended down 71.26 at 1,785.10, after recovering some of its 109.11 morning loss. Turnover at 400m (350m) shares.

"The average plummeted in heavy trading until a mid-afternoon slowdown helped cool it off," said one dealer. "But the wait-and-see mood continued," he added.

The SE index lost 6.83 to 921.72. Volume 17m (same) shares.

International populars mostly fell.

Financials and Trading houses declined across the board and most non-ferrous metals foods and metals also eased.

Local. Pres. report that United States orders from some domestic makers of integrated circuit assembly machines have been cancelled caused related medium-sized company's shares

[illegible]

AUSTRIA			GERMANY			NORWAY		
Jan. 26	Price Schg.	+ or -	Jan. 25	Price Gm.	+ or -	Jan. 25		
Creditanstalt	224	-	AEG-Tele.....	107.8	+0.9	Bergens Bank		
Einkaufsbank	240	+8	Allianz Vers.....	101xk	-	Borgergaard		
Komm. Bank	246	-	Bank f. Handel	107.8	+0.9	Commerzbank		
Landbank	256	-	Eayer	168	+0	DanNorke Cred		
Nordbank	256	+4	Hamburg-Merk	321	+0.5	Eikent		
Postbank	271	-	Raver-Hypo	321	+0.5	Kern		
Reichsbank	271	-	Schaffhausen	321	+0.5	Norsk Data		
Reitscher Magaz	271	+8	SHF-Bank	292	-8	Norsk Data		
			St. Pauli	375.5	-8	Norsk Hydro		
			Wittenberg	375.5	-8	Storebrand		
			Commertbank	173	+1			
			Don't Comm'l	122.2	+0.2			
			Pauker-Benz	347	-1.5			
			Oeggusa	347	-1.5			
BELGIUM/LUXEMBOURG						SPAIN		
Jan. 24	Price Fr.	+ or -						
A.B.L.	1,825	+15	O'achs Babcock	156	-1			Jan. 25
Belgenkred. Int. A. Lloy	4,750	-	Oesterreich Bank	396.6	-0			
Secakar B.	5,460	+150	Crespien Bank	188	-2.6	Bco Bilbao		
Belgenkred.	8,465	-	Deutsche Bank	188	-2.6	Bco Central		
Bozarcell	259	-4	Hochstef.	475	-0.5	Bco Exterior		
Chemise	6,000	+10	Noechter	165	-0.5	Bco Hispano		
Electrobel	6,100	-10	Holzmann (P)	395.5	-2.5	Bco Popular		
Electricite Natl	9,000	+15	Hortner	285	-1.3	Bco Santander		
Erbebank	7,910	-18	Karl	285	-1.3	Bco Sotomayor		
Grub. Bruck	8,020	-20	Karstadt	888	-8.5	Nidra		
Industrie	8,020	-20	Klohe	212.0	-2	Petrolos		
Levart	5,700	-10	KHO	246.0	-0.5	Telefonos		
Mercantile	2,150	-10	Klockner	75	-5			
Redebank	10,300	-	Kreisel	597.5	-0.5			
San Hugs	6,890	-20	MAN	102.5	-1.5	SWEDEN		
Petrolina	10,900	-50	Mannemann	510	-0.5			Jan. 24
Reichsbank	1,780	-10	Metalgesellschaft	923	-1			
Gen. Gen. Belg	7,130	-50	Mittel	531	-4.9	AGA		
Polys	5,500	-15	Nixdorf	1068	-4	ASEA (Free)		
Northwick Int'l	1,450	-	Porsche	84	-1	Aspa (Pres)		
Reichsbank	7,130	-50	Preussag	24	-1	Aspa (Pres)		
Reichsbank	7,130	-50	Reinhold	24	-1	Cerda (Free)		
Reichsbank	7,130	-50	Rosenthal	240	-5	Cellulosa		
Reichsbank	7,130	-50	Schering	49.52	-8	Elektron		
Reichsbank	7,130	-50	Thyssen	89.5	-0.4	Friscon		
Reichsbank	7,130	-50	Veba	170.7	-0.6	Graf		
Reichsbank	7,130	-50	V.E.W.	189.5	+0.5	Mo Och Donato		
Reichsbank	7,130	-50	Wein	189.5	+0.5	Pharmacia		
Reichsbank	7,130	-50	Werkzeugen	196.5	-2.1	Saba Scania Fr		
						Sandvik		
DENMARK								
Jan. 25	Price Knr g.	+ or -						
Andelsbanken	284	-13						

[illegible][illegible]

China Light and Power rose 50 cents to HK\$15—is said Thursday that a nuclear power station it is helping to build in China could have local consumers as well as export power over the next

used strong demand. In engineering, Deutsche
brock shed DM 1 to 155
spits news it will restore a
3.4 dividend for the year
ended September 10 1984 after
a 10% increase.

Nov 40.78m (38.3m) shares
birth about \$A64.29m
\$159.22m). Rises outnumbered
163-to-142.
Brokers said retail issues were
focus of attention with the
Retail Index gaining 45.3 to
100.0.

by hopes of higher profits and
divided payouts.

The Swiss bond market closed
easier, with interest rate con-
cerns depressing sentiment.

Foreign shares were generally
little cheered, with dollar stocks

16	186%	Maintree Mines	59%	69%	Royal Trust A	17%	17%
17	18%	Mitel Corp.	9%	8%			
18	28%	Molson A	17%	15%	Scotco Res.	5%	5%
19	28%	Moore Corp.	64%	64%	Sengram	32%	62%
0	5%	Hat. See Prode A	5%	5%	Serra Can. Int.	7%	7%
1	16%	Noranda Inc.	20%	20%	Sibers Can. Oil	23%	22%
2	19%	Norfolk Energy	15%	14%	Stolco	23%	25%
3	19%	Nth. Telecom.	45%	43%	Tank B	13%	11%
4			3%	3%	Terra. Funds.	85%	85%

14	Pan Can Pet.....	27	27	Trans-Alta.....	83	20%
18				Trans. Can. Pipe.....	92	31
21				Walker Hiram.....	25%	5%
24%	Placer Dev.....	24%	24%	Westcoast Tr.....	15	15%
22	Power Corp.....	3%	28	Weston Geol.....	80	77%
%	Quebecstureon	3.90	3.80			

AUSTRALIA (continued)

JAPAN (continued)

+0.5	Gen Prop Truett	2.25	+0.81	MHI	237	+9
+5	Hardie (James)	3.02	+0.02	Mitsui Co.	358	-
-1	Hortogen Enstoy	2.15		Mitsui Estate	564	-15
-0	Harold W/7Times	4	-0.1	Mitsukoshi	585	
-2	ICI Aust	2.18		NCK (Insulator)	546	+1
-7.5	ICI Aust	2.18		Nihon Cement	228	
-9.5	Jimberlana F.P.	0.3	-0.82	Nihon Cement	280	
	Kie Ora Gold	0.11	-0.01	Nippon Denso	1,510	
				Nippon Elect.	210	

	Myer Emporium	1.87	+0.02	Nippon Oil	855	-1
	Nat. Aust. Bank	5.68	-0.03	Nippon Selco	565	-9
	New	12.4	+0.1	Nippon Steam	581	+1
	Nicholas Kyv	0.18	-0.01	Nippon Steel	148	-1
	North Bkn Hill	2.18	+0.01	Nippon Sulfur	230	-5
	Oakbridge	0.68	+0.01	NTV	12,500	870
	Pancon	0.98	+0.03	Nippon Yusen	243	+2
	Pioneer Conc.	1.67	-0.05	Nissan Motor	505	-10

32	44	Repro.	1.08	-0.02	Olympia	1,230	-10
32		Santos	5.04	-0.12	Orient Leasing	5,430	-110
9		Smith (Howard)	3.5	-0.06	Pioneer	2,200	-90
8.7		Thos. Natward	1.89	-0.01	Renown	554	-1
2.5	-0.9	Tosh	5.8		Rich	918	-18
0	-4.6	Vamp	3.1	-0.05	Sanyko	1,150	-60
8.7	-0.7	Western Mining	3.05	+0.06	Sanyo Elect.	468	-9
		Westpac Bank	5.48ct	+0.01	Sapporo	401	-4

Shimadzu	612	-13
Shienog	681	-5
Shiraida	100	
Sony	3,980	-17
Stanley	578	-15
Storno Bank	1,500	-80
Storno Elect	950	-10
Storno Marine	680	+20

-	Everest	12.9	-0.79	Taisei Pharm.	1,080	-10
-	Hong Kong Bank	85.5	-	Takeda	800	+6
-	NK Bank	6.55	-0.1	TKK	6,880	-
+1	NK Kwokoon Wh.	6.65	-	Teijin	433	-2
-	NK Land	4.42	-0.08	Tokai	1,000	-
-	NK Shanghai Sk.	0.06	-0.1	Tokyo Marine	730	-5
-	NK Telephone	60.5	-	TBS	835	-
-0.5	Hutchison Wps.	32.5	-0.15	Tokyo Elec Pwr.	560	-50
-	Jardine Math.	9.25	+0.15	Tokyo Gas	167	-

-3	SNK Props.	0.4	-0.2	Tosco Corp.	552	+1
	Shell Equip.	2.0		Toppan Print.	537	+1
	Swift Pac A.	98.2		Toray	511	-6
	Tv-B	6.5	-0.95	Toshiko Elec.	415	-1
	Wheel&Mard A.	4.3		Toyo Soda	670	-11
	Wheel&Mfg Ind.	1.1		Toyo Seltan	555	+10
+ or	World Int. Nlgs.	1.25	-0.25	Toyota Motor	1,290	+10
				Victor	2,060	+0
				Wacool	738	-8

	Jan. 95	Price	+ or -	
		Yasuda Fire	561	-14
		Yokogawa Sdgo.	441	-1
		SINGAPORE		
	Jan. 85	Price	+ or -	
		Ajinomoto	1,110	-30
		Alpe Electric	2,080	-60
		Amada	1,160	-20
		Asahi Chem.	564	-81
		Asahi Glass	875	-30
		Hosokawa Mfg.	1,55	-20

5	+0.5	Chrysal Pharm.	1,000	-40	Genfeng	4.96	+0.04
5	-0.8	Chizan	670	-2	Nwo Par. Bros.	1.91	+0.05
70		Dale	681	-	Nong Leng Pin	2.8	+0.05
70	+2	Dai Nippon Ptg	55	-1	Onoda Cement	5.65	+0.05
10	-5	Osaka House	565	+5	Kappa Shipyard	1.43	+0.02
10		Esai	344	-	Malay Bankers	6.3	+0.1
20		Epson	1,530	+10	Minato Ind. Ind.	8.25	+0.05
20		Fuji Photo	1,290	-250	North Purpose	0.93	-0.03
20		Fuji-Sank	1,390	-30	OCBC	8.65	-0.05

30	+10	Myanmar	1,200	-20	Singapore Press	6.35	+0.65
30	+10	Green Cross	1,640	-20	Straita Trdg	4.3	+0.02
30	+350	Green Cross	856	-20	Tat Lee Sg	2.68	+0.83
		Green Res	534	-11	UOB	4.38	-0.04
		Hatch	672	-11			
		Hatch/ Gradit	1,150	-50			
		Honda	1,370	+10			
		House Food	701	-40			
		Hoya	2,120	-40			

+0.81	JACS	536	+5	AEGE	23.35	-0.1
-0.02	JAL	5,380	-120	Amico Am Gas	44	-0.95
-0.02	Junco	780		Amico Am Corp.	23.85	-0.6
-0.02	Kajima	278	+6	Amico Am Gold	179	-0.5
-0.02	Kao Soap	825	+5	Bearcats Bank	14.25	-0.5
	Kashiyama	617	-3	Barlow Rand	10.2	-0.2
+0.8	Kirin	565	+15	Buffalo	70.5	-1.6
	Kobayashi	940	+2	CNA Gallow	2	

-0.03	Kumasi	540	+4	Jfetonain	50.25	-1.75
-0.1	Kwota Cante	5,800	+3	S Geduld	47.5	
+0.02	Masde Const	472	+3	Gold Heide SA	28	-0.5
-0.04	Muoniko Milling	1,300	+8	H. Inveld Steel	4.15	-0.07
+0.02	Niyala	1,150	+8	Edenbank	9.67	-0.26
	Northern	1,150	-8	OK Bank	13.75	
	Northern	641		Proba Hdrms	1.35	-0.06
+0.12	Northern	1,050	-10	Rembrandt	51.75	
				Rink Plaf		

100	W. Blair	530	SA Brew	6.3	
99	W. Blair	408	Smith & G	21.5	
	W. Blair Estate	661	Tongast Hulet	5.30	
			Unsec	4.5	-0.1

NEW YORK					COW JONES			
Jan. 24	Jan. 23	Jan. 22	Jan. 21	Jan. 18	1984-85		Since Comp	
					High	Low	High	Low

Industrial	1270.41	174.75	1259.40	1261.73	1227.57	1375.54	1355.47	1287.28	1217.71
Prime Rate	74.06	73.59	73.55	73.53	73.17	73.56	74.01	73.77	73.18
France	604.52	605.85	598.11	595.22	577.72	51.95	54.58	619.63	12.12
Utilities	147.53	148.70	147.83	147.77	147.57	15.12	15.12	158.72	15.12
Real Estate	169.72	169.42	174.70	146.80	146.70	15.12	15.12	169.42	15.12
30-day High	1267.99	1278.37				1264.58	1252.54		
Industrial div. yield		4.91		4.34		5.03		4.53	
STANDARD AND POORS									
	Jan. 24	Jan. 25	Jan. 22	Jan. 21	Jan. 18	High	Low	High	Low
1984-85									
Industrial div. yield	198.01	192.68	199.55	198.15	191.29	197.18	167.74	192.68	8.61
Composite	176.71	177.39	175.64	175.23	171.32	177.11	155.82	177.11	4.42
	Jan. 24	Jan. 25	Jan. 22	Jan. 21	Jan. 18	High	Low	High	Low
1984-85									
Industrial div. yield	5.35	5.35	4.00	4.15	4.15	5.75	5.75	5.75	5.75
Industrial P/E ratio	11.14	10.71	10.71	10.71	11.49	11.49	11.49	11.49	11.49
Long Gov. Bond yield	11.14	11.14	11.14	11.14	11.49	11.49	11.49	11.49	11.49
N.Y.S.E. ALL COMMON									
	Jan. 24	Jan. 25	Jan. 22	Jan. 21	Jan. 18	High	Low	High	Low
1984-85									
Index Traded	3,029	3,029	2,042	2,042	2,042	2,042	2,042	2,042	2,042
Index	2,042	2,042	2,042	2,042	2,042	2,042	2,042	2,042	2,042
Falls	745	745	485	485	485	485	485	485	485
Uncanceled	411	411	392	392	392	392	392	392	392
New Issues	267	267	220	220	220	220	220	220	220
Now Low	3	3	6	6	6	6	6	6	6

	24	25	22	21	High	Low
Metals & Minerals	2124.5	2118.5	2022.1	2061.6	2524.4 (121.84)	1641.3 (75.7)
Composite	2525.9	2505.9	2431.5	2454.4	2555.7 (61.34)	2079.7 (71.7)
MONTREAL Portfolio	127.11	124.75	123.61	124.33	127.11 (24.15)	100.58 (24.6)

NEW YORK ACTIVE STOCKS							
Thursday	Stocks	Closing price	Change	Stocks	Closing price	Change	
			on day			on day	
TAT	1,133,800	21 1/2	+	Ford Motor	1,912,200	23 1/2	+
Gen. Nat. Mort.	2,627,500	15 1/2	+	Chrysler	1,303,200	43 1/2	+
Am. Nat. Ins.	1,744,500	4 1/2	+	IBM	1,824,500	15 1/2	+
Am. Nat. Ins.	1,744,500	4 1/2	+	Pan-Am	1,128,600	4 1/2	+
Am. Nat. Ins.	1,744,500	4 1/2	+				

	Jan. 24	Jan. 26	Jan. 30	Jan. 31	1984-85 High	Low
AUSTRALIA						
All ord., 1.1-701	754.8	755.5	756.5	756.5	757.3-9.138	665.5-15.41

[illegible]

Jacobson & P (11/91)	121	1211.57	1473.75	1428.57	1534.5 / (A.2)	1502.93 / (22.11)
SWITZERLAND						
Swiss BankCpn./31/12 93	409.6	409.5	407.6	407.1	409.5/25 1.85	354.5 / (23.71)
WORLD						

**** Saturday January 19: Japan Nikkei-Dow 11,862.1, TSE 324.01.**
 Base values of all indices are 100 except Australia All Ordinary and Metals—500, NYSE All Common—500; Standard and Poors—10, and Toronto Composite and Metal—1,000. Toronto indices based 1975 am Montreal Portfolio 4/1/83
 * Exclusive bonds, 4,490 Industrials, 4,500 Industrials plus 40 Unites, 40
 * Exclusive bonds, 4,490 Industrials, 4,500 Industrials plus 40 Unites, 40

Ex all

هكذا من الأهل

Why on earth do we want businessmen without computers to read an ad about software?

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16 BIT Computing

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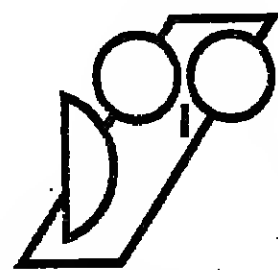
Personal Computer Weekly

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مكتبة

APPOINTMENTS

Humphreys & Glasgow chief

Mr William H. Fraser has joined HUMPHREYS & GLASGOW to become chairman and chief executive officer on February 1. He was vice president and chief executive of McDermott Marine Engineering and before that was managing director of Foster Wheeler Offshore in London. Humphreys & Glasgow is a subsidiary of Enserch Corporation, Dallas, Texas.

MOSS GEAR & TRANSMISSIONS has appointed Mr A. C. Furdie managing director. He was manufacturing director of GKN Axles.

Mr Jean-Pierre Bart has been appointed deputy chairman of DEL SECURITIES, a London subsidiary of Drexel Burnham, the Wall Street securities house.

MACHINE TOOL INVESTMENTS has appointed Mr Paul J. Maynard managing director. He was sales director. A former operations manager with the Lex Motor Company, Mr Edwin Swatman has been appointed sales director of SUBARU (UK).

Mr John Curtis has been appointed marketing director of FINEY BOWERS. He joins from Rank & Kerox (UK) where he was marketing operations manager.

Mr Brian Coleman-Smith, financial sales director of The Guardian, has been appointed director of BURSON MARSTELLER FINANCIAL with specific responsibilities for financial and corporate advertising.

At WYMAN-HARRIS Mr Christopher Nutt becomes managing director in succession to Mr George Gittos who continues as chairman.

COUNTY BANK has appointed Mr Roy Peters as deputy managing director (UK) of County Bank Investment Management. He has been with County Bank since August 1980 and was appointed a director of the bank in October 1981.

Mr S. D. C. E. Lynn has been appointed assistant director of PURCELL GRAHAM AND CO.

CLAYBROOK COMPUTING has appointed Mr David A. Jerrett as finance director and company secretary.

Mr J. Tamberlin has been appointed chairman designate and Mr S. Martin managing director designate of WOLVERHAMPTON METAL, Wednesfield, a subsidiary of IMI. They will formally succeed Mr F. W. James, who currently holds both appointments, when he retires in July. Mr Tamberlin will continue as managing director and

Mr Martin will continue as commercial director of IMI Refractories, Walsall.

Mr J. M. Everitt has been appointed managing director of SIMPLEX MECHANICAL HANDLING, Bedford. He was production director. Mr R. A. Wenham has retired as managing director but remains on the board as non-executive director. Mr Robin Dordick has been made sales director, and Mr Michael Wemyss becomes a director.

HOLCO TRADING a member of the E. D. and F. Man group, has appointed Mr S. M. S. company. Holco is a ring dealing Spencer as a director of the member of the London Metal Exchange.

Mr A. Johnston Brown has been appointed secretary of STURGE HOLDINGS, following the retirement of Mr L. E. Drage.

Changes at Nordic

The following changes will take place in NORDIC BANK, London, a wholly-owned subsidiary of Den norske Creditbank (DnCB), Oslo, from February. Mr Stein Wessel-Aas will become managing director and chief executive officer. Mr John R. Selater, currently managing director, will become non-executive chairman of the bank. Mr Berger A. Lenth, deputy chief executive of DnCB, will become deputy chairman.

In a management reorganisation at GEC COMPUTERS, Borehamwood, Mr Paul E. Bayner becomes managing director.

Mr Michael C. Kraland has succeeded Mr Jean-Marie Laborde as group managing director of the HOUSE OF CAMPBELL. Mr Laborde has been appointed managing director of Rival in France. The House of Campbell owns the brands Aberlour-Glenlivet, Clan Campbell, House of Lords, King's Ransom, Glenfances - Glenlivet and White Heather, and grows together Scotch Whisky interests for the parent company Pernod-Richard in France.

NETLON has appointed Mr Roger Dnekworth as its chairman and chief executive. He was deputy chairman.

J. HOWITT AND SON, the original company in the Howitt Group, has appointed a new managing director to run what is now the group's special products division. Mr Keith Lyons, currently managing director of Aeroprint, Bradbury Wilkinson's specialist security subsidiary,

replaces Howitt Group chairman, Mr Patrick Howitt. Mr Brian Mills takes responsibility for the commercial printing division of the group having been managing director of commercial sheet (ed subsidiary Hill and Tyler. Mr Graham Bellamy, J. Howitt and Son research and development director, becomes special products sales development director, and former J. Howitt end Son sales director, Mr Paul Dane, becomes director in charge of national accounts. Northern sales director, Mr Roy Dutton, switches from J. Howitt and Son to commercial print sales. Mr Howitt intends to concentrate on group planning and development.

Mr Alexander (Sandy) Storrar, formerly of the World Bank in Washington, has taken over as chairman of MINSTER AGRICULTURE on the retirement of Mr Anthony Hansen. Mr Storrar has been deputy chairman since last July.

Mr John Hunt has been promoted to chief executive of REX STEWART & ASSOCIATES GROUP to replace Mr David Mitchell who is taking early retirement. Mr Barry On is promoted to deputy chief executive of the group, and continues as chairman and chief executive of the RSA English Group. Mr Robert B. Ballantine, appointed chairman of the RSA (Scotland) Group, remains chief executive.

Mr Kenneth G. Baker has been appointed to the new position of personnel controller (director designate) by R. MANSFIELD, Croydon-based building group.

Mr Donald Town (group marine manager, Suo Alliance Group) and Mr David Lowen (e

director, e general manager and marine underwriter, Orion Insurance Co) have been re-elected chairman and deputy chairman, respectively, of the INSTITUTE OF LONDON UNDERWRITERS.

Mr Kit Hornevedth has been appointed client service director of McAVOY WREFOED BAYLEY with responsibility for new business projects. He was formerly a director of Ayr Barker.

Mr Geoffrey Coleman returns to the NATIONAL FREIGHT CONSORTIUM, joining British Road Services Southern as commercial director. He was previously general manager with TST South Western which he joined in 1983 from NFG Roadline Group.

Dr R. J. Bishop has been appointed managing director of CADCENTRE, Cambridge. He joins on February 1 having spent 17 years with the Turner and Newall Group, recently as managing director of TAC Construction Materials.

Mr Geoffrey Yeowell, Mr Robert Kidby, Mr Rodney Smyth, Mr David Cox and Mr John Penson will become partners of DURANT PIESSE.

Honeywell sales chief

HONEYWELL INFORMATION SYSTEMS has appointed Mr Paul Kinton as director, sales division, from February 1. He was sales director of Honeywell's northern region.

Mr A. C. Nunn, assistant general manager, Royal Insurance (Int) will retire on March 31 by mutual agreement, to become deputy director, BRITISH INSURANCE (ATOMIC ENERGY) COMMITTEE from April 1.

ECONOMIC DIARY

MONDAY: EEC Foreign Ministers meet in Brussels (until January 29). Opec Ministers meeting in Geneva. FT Conference on the "City as a financial and trading centre" at Skinner's Hall, EC4 (until January 30). Six-nation summit on global peace and disarmament in New Delhi. Austin Rover assembly plant meeting over a sacked shop steward.

TUESDAY: CBI industrial trends survey (January). Fifth session of Stockholm disarmament conference.

WEDNESDAY: Construction - new orders (November). EEC Economic and Social Committee in plenary session (until January 31). European Space Agency Ministers review long-term programme in Rome. Mr Nigel Lawson, Chancellor of the Exchequer, at Newspaper Society

lunch. Chatham House hold conference on "Indonesia at the start of the fourth five-year plan." Labour Party National Executive meets to elect new general secretary.

THURSDAY: Bricks and cement production (fourth quarter). Energy trends (November). Unemployment and unfilled vacancies (January). Employment and earnings by industry (November-provisional). Unemployment and unfilled vacancies (December-details). Overseas travel and tourism (November). U.S.-Soviet talks resume on the reduction of forces in Europe.

FRIDAY: U.S. January employment figures. Mr Neil Kinnock, leader of the Opposition, to address opening session of Labour Party Local Government conference in Birmingham.

City of London Sports & Recreation Council

CITY SPORTS 1985

A fun team competition on Saturday
16th February 1985 to mark the launch of the
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8 persons, at least
2 of each sex
£10 per team

Netball
Women: 7 + 3 Subs
£10 per team

Badminton
Mixed Doubles
£10 per team

Running Relay
Mxd Doubles (1.75 mile)
£5 per team

5-a-side Football
Men: 5 + 2 Subs
£10 per team

Gym Tests

3. at least
one of each sex
£10 per team

Swimming
Min. 2 men + 2 women
Max. 5 men + 5 women
£10 per team

Doubles Events

Cribbage
2 persons
£5 per team

Squash
Open Doubles
£10 per team

Snooker
2 persons
£5 per team

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ENTRY FORM

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Team Organiser

Events and No. of teams entered and fees

Total fees submitted with this entry

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The deadline for receipt of entries is Thursday 31st January



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Neil & Spencer	UP 138%	+18**
Dee Group	UP 172%	+56
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MAN IN THE NEWS

The core
of the
AppleBY LOUISE KEMOE IN
SAN FRANCISCO

"MY BOSS, my co-leader and my friend" is how Steve Jobs, chairman and co-founder of Apple Computer, introduces Jolie Sculley, the former Pepsi-Cola president whom he persuaded to become Apple's president in 1983. "Steve and Jolie," as everyone at Apple calls the company's top two executives, are firm friends—on and off duty.

A critical aspect of Sculley's success at Apple has been his ability to decline complementary roles for himself and the high-achieving young man who hired him. Jobs, 29, represents the youthful enthusiasm, spirited independence, and creative vision that is Apple Computer. Sculley, 46, has managed to temper that spirit, on both a personal and corporate level, with focus and discipline, bringing out the best in Jobs and in Apple.

"A lot of what I do at Apple is coaching and training," says Sculley. "He is helping us to grow into our jobs," explains Mike Murray, 25, who finds himself in charge of marketing the Apple Macintosh computer. "A year ago, the Macintosh group was 50 people. Now we are a division with 750 people and \$10m in revenue. None of us has ever done anything like this before."

Sculley, however, is able to guide, encourage and direct the young Macintosh division managers. "He's seen it all before, but in a very different context," says Murray.

Sculley won his reputation as a consumer marketing genius for introducing the "Pepsi generation." Over the past year, he has lived up to that name at Apple.

With the introduction of the Apple Macintosh in January 1984, Sculley began the biggest and most expensive advertising campaign in the history of computers, based on promoting "Apple Awareness." When Apple bought every inch of advertising space in the election edition of Newsweek, it was downright outrageous—just the reaction Sculley wanted.

He grins as he tells employees that Apple brand awareness is now higher than that of Pepsi and more than twice as high as IBM's personal computer. The highest-paid executive in California income last year about \$1.7m, Sculley dresses for comfort, rather than style. He would not be noticed in a crowd. His easy manner and quiet self-confidence have quickly endeared him to Silicon Valley. He is one of the rare East Coast managers to come West and be quickly accepted in the Valley.

His enthusiasm for Apple is infectious. "The past 20 months have been the most exciting of my life," he says. Like the parent of a wayward child, Sculley is gently but firmly moulding the company. His first goal was to introduce a team work and discipline, which meant eliminating internal rivalries. This year, he plans to teach Apple executives about accountability, setting goals and being responsible for meeting them. "It's one of the few things that big corporations do better," he tells them. Most importantly, Sculley has taught Apple that it has a lot to learn as it grows into a multi-billion dollar company.

But like all the best "parents," Sculley will know when to let go. He does not believe that the company should be run by an old man. And he is grooming plans for a third career, possibly starting his own hi-tech company, combining his interests in art and his new fascination with technology.

But pity those who would emulate him. Sculley rises daily at 4.30 am to do a three-to-five-mile run. He is often at work by 6 am. His first meeting at 7 am. Twelve hours later he may still be there.

Continued from Page 1

Trade

fall in the pound's value in late European trading amid concern over oil prices before the Organisation of Petroleum Exporting Countries' imminent talks in Geneva.

Sterling fell to \$1.1105 at the London close, down 70 points from Thursday, while it lost 1 penny against the D-mark to end at DM 3.52.

The Bank of England took advantage of the relative strength of index-linked gilts to announce the issue of £250m of existing gilts in two tranches. The £150m of index-linked 2½ per cent Treasury 2003 and £100m of index-linked 2½ per cent Treasury 2020 will go on sale on Monday.

Howe calls for Tory Party unity

BY JOHN HUNT, PARLIAMENTARY CORRESPONDENT

SIR GEOFFREY HOWE, the Foreign Secretary, yesterday launched a counter-attack against Tory critics of the Government and appealed to them to "maintain the cohesion of our party."

Unless momentum were maintained towards achieving government policies, a Labour Government might be returned to power bringing "disaster to our nation," he said.

Sir Geoffrey, addressing the Cambridge University Conservative Association, was clearly speaking as a close confidant of the Prime Minister rather than as Foreign Secretary.

His words were aimed at Conservative MPs who have staged a series of Commons rebellions on different issues and are arguing that the Budget should contain plans

for more spending on infrastructure rather than for increases in tax thresholds.

Sir Geoffrey's speech came two days after Lord Stockton (the former Tory Prime Minister Mr Harold Macmillan) criticised Government economic policies in the televised debate in the Lords.

With leading "wets" obviously in mind, Sir Geoffrey called for less emphasis on personalities and personal grudges. He felt "astonishing value" in the "atmosphere of incredulity" at allegations that the Government was too rigid and ideological. He conceded, however, that Conservative objectives could not become reality with very high levels of unemployment. "We cannot be content until unemployment comes down and stays down."

Conquering inflation was not on its own sufficient to create growth, prosperity and jobs.

There had to be liberalisation of the economy to encourage enterprise and create jobs. That was the objective of the second phase which the Government had now entered.

Sir Geoffrey claimed that the Conservative Party occupied the newly created "common ground" of politics. It had made concepts such as privatisation and the supremacy of parliament over the trade unions readily understood.

In the Government's second phase it had to continue enlarging and consolidating this common ground if it was to keep up momentum and achieve success. Emphasising the Government's flexibility, he said: "We do not believe in absolutes."

about economic policy. Public spending is not always wrong. Neither is it always right.

"We do not think sound money more important morally than full employment. We know that you cannot have the second without the first."

Sir Geoffrey, nevertheless, rejected calls from those Tories who are demanding spending on the infrastructure in the Budget. That, he said, would not solve basic problems of job creation.

He did not accept the arguments of those who decried the lightening of the tax burden. It was intolerable that people on one third average earnings paid 40 per cent tax. If the tax thresholds were to be raised, the Government had to keep control over public expenditure.

Tougher EEC farm price plan

BY IVO DAWNAY IN BRUSSELS

MR FRANS ANDRIESEN, the EEC's new Farm Commissioner, has drawn up plans to introduce an austere agricultural price package in the next marketing year which begins in April.

Papers which have not yet been circulated generally in Brussels show that the Commissioner intends to take a firmer grip on the Community's runaway farm spending than was planned in a first draft prepared by his officials.

The initial package, leaked early this month, remains largely intact. Changes that have been made, however, indicate that Mr Andriessen has opted for stronger restraints. In the dairy sector, the final draft calls for a 3.6 per cent price cut compared with the 3.1 per cent first proposed. For dairy prices — the most expensive regime — the original 2 per cent price rise has been pulled back to 1.5 per cent.

The proposals still have to be considered by Mr Andriessen's 13 Commission colleagues in Brussels on Wednesday, but observers believe that any further changes will be marginal.

Reaction from farmers and some member states is, as always, likely to be angry. As a whole, the cost of price

increases is intended to be broadly balanced by savings from price reductions so that the financial pact is neutral. Farmers' organisations are seeking a 3 to 4 per cent rise.

It is also believed that the proposals will conform with farm ministers' undertakings to restrain farm spending as far as possible within the Ecu 19bn (£12.4bn) ceiling foreseen by the draft EEC budget, which the European Parliament still refuses to adopt.

That, however, will depend on a number of unknown factors, ranging from the scale of harvests to the value of the dollar — a key component in the cost of export subsidies for EEC farm produce on world markets.

The strongest national objections in the package are likely to be voiced by West Germany. Herr Ingar Kiechle, the German Farm Minister, has said that he will oppose any cut in grain prices, and the most vigorous battles when ministers meet are expected to be in the cereals sector.

In fact, the Commission's proposals soften rules that require a 5 per cent cut in grain prices when surplus production exceeds a pre-fixed level. This was fixed for 1984-85 at 121,300 tonnes and will be exceeded by

a bumper harvest totalling more than 140m tonnes. The UK has already given notice that it will seek the full price cut.

Other countries likely to object to the proposals are Italy and Greece, which seem certain to argue that northern Community products are favoured unfairly at the expense of those from the Mediterranean. Italy will regard as hostile a plan to cut fruit and vegetable prices by up to 10 per cent in some cases.

Mr Andriessen has signalled his determination to tackle this sector by fixing the range of price alterations for the various products from between plus 1 to minus 10 per cent.

Other changes to the leaked draft include a markedly tougher cut from colza or rapeseed rape, where a price reduction has been increased from 2 per cent to 3.6 per cent, and rice, which has been reduced from a 3.9 per cent cut to 4.4 per cent. In a concession to Italy, durum wheat has escaped with a price freeze.

The final draft maintains original proposals to leave unaltered current prices for rice, sugar, beet, olive oil, wine and meat, and a range of between zero and 5 per cent reductions for tobacco.

Lucas loses
two senior
managers

By Stefan Wagstyl

TWO senior managers have resigned from Lucas Industries, the Birmingham-based motor and aerospace components group. They are Mr Keith Wills, 48, and Mr Marcus Beresford, 42, who have left Lucas Electrical, the group's selling electrical and electronic car components subsidiary.

Mr Wills was the subsidiary's managing director and a member of the group's executive committee. Mr Beresford was general manager of the subsidiary's key Lucas Electrical and Electronic Systems division, where several high-technology products are being developed.

Lucas last night refused to comment on the reasons for the changes. The group is known to be concerned about the performance of Lucas Electrical which has not made a profit for at least five years. Its workforce has been cut by a third to 21,000 since 1979.

Lucas Industries, which has recovered from its first loss in 1980-81 to pre-tax profits of £32.6m in the year to last July, is striving for better returns on its £1.4bn turnover.

Lucas Electrical, with annual sales of about £250m, has faced particular difficulties because it is more dependent on UK car manufacturers, particularly BL, than other group vehicle component operations such as Girling brakes.

It is now rationalising its starters and alternators business with the loss of 700 jobs. Lucas Electrical and Electronic Systems, a joint venture in which the Lucas group holds 80 per cent and Smiths Industries 20 per cent, is thought to have bright prospects as the proportion of electronic components in cars increases. It has, however, suffered delays and reductions in orders from BL, its main customer.

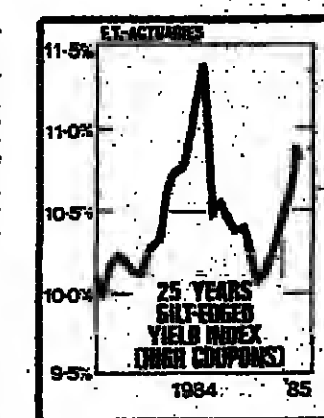
Mr Wills is to be replaced by Mr Bob Dale, managing director of a smaller but recently more successful group operation, Lucas World Service.

Lucas Industries has yet to appoint a successor to Mr Beresford. It also has to replace two other senior men at Lucas Electrical who have announced their resignation in recent months: Mr Ian Donovan, finance director, and Mr John Lophore, finance manager of Lucas Electrical and Electronic Systems.

THE LEX COLUMN

Jobbers caught in
a bear squeeze

Index rose 11.1 to 1002.8



London's jobbers will not forget the last fortnight in a hurry. They began the account short of stock and, as they might, simply could not find enough paper to square their position. Volume in the London market has been remarkably heavy throughout the account and the jobbers appear to have taken a veritable hammering from buyers on both sides of the Atlantic. Yesterday evening, Waterloo station played host to some very unhappy individuals.

The jobbers received a little assistance from the personal sector, but the supply from that source was nothing like sufficient. The last account has strengthened the argument for a move in single capacity sooner rather than later, although the brokers who were queuing up to become market makers a few months ago may by now be having second thoughts.

Fund managers had none too enjoyable a time of it either. Equities are now showing all the symptoms of a bull market disease. If an investment trust can launch a deeply discounted rights issue and see its share price go up, as happened this week, something has to be wrong. But, with the market still so buoyant, it takes a hold institution to take the obvious course and start selling.

The equity market has, after all, taken the recent rise in interest rates in its stride as easily as the collapse in sterling which provoked it. The gap between the yield on long gilts and the FT All-Share Index, now close to 7 per cent, is wide enough to suggest that either gilts are too cheap or equities too dear. For the moment, the market seems to prefer the former hypothesis but it would not be at all surprising to see a vigorous shake-out in equities before long. Certainly, if it comes, the jobbers will do little to resist the momentum.

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Sangers. This week has seen a good many unconventional corporate transactions but yesterday Sangers, the photographic wholesaler, left the competition standing with a proposal of quite breathtaking audacity. Last September, the company announced that it was negotiating a U.S. acquisition and promptly suspended its shares.

The document which finally emerged yesterday made the reasons for the long delay perfectly plain.

Sangers has constructed a deal with a group called Pavion,

modestly described as one of the fastest growing private companies in the U.S., which markets cheap cosmetics under the "Wet n' Wild" brand name. Sangers, which has lost money in each of the past three years and shows a deficit of almost £1m on its revenue reserve, is proposing to buy Pavion for \$24m—10 times book net worth and four times forecast pre-tax profits—and to finance the deal through a nine-for-eight rights issue and £9.2m issue of unsecured loan stock.

The most remarkable feature of this scheme is the payment, and remuneration package being offered to Pavion's controlling shareholder, Mr Stanley Acker. A Sangers subsidiary called Dover will lease two New York properties from Mr Acker and spend \$150,000 on improving them; it will also lease certain equipment from him and meet some of his tax bills. When Mr Acker joins Dover, he will participate in a profit-sharing bonus plan, distributed at a profit-sharing retirement plan, an executive deferred compensation programme and in a bonus plan.

What last year's fiasco has done is to turn attention towards European markets. American shares may be good value, the reasoning goes, but the currency risk is high; Japan is already expensive; and Australia and Canada are not going anywhere. So far this year, four European unit trusts have been set up. The strength of the dollar cuts both ways since Europe now looks cheap to American investors. If you can't beat them, join them, seems to be the tactic these days.

Premium Bonds



CHIEF PRICE CHANGES YESTERDAY

(Prices in pence unless otherwise indicated)

RISES	FALLS
Exch. 10pc 1989 ... 294½	Hurst (Charles) ... 205 - 55
Treas. 14pc 1984 ... 211½	Lister ... 58 + 5
Adrian Comm. ... 265	Ldn. & Ed'burgh ... 223 + 12
Allied-Lyons ... 189 + 12	Meta Box ... 492 - 20
Allied Textile ... 355 + 26	Page (Michael) ... 275 + 115
Aspinall ... 135 + 15	Ransomes Sims ... 490 + 32
Berkeley Expltn. ... 135 + 10	Renald ... 61 + 8
BP ... 517 + 12	Ruo Estates ... 480 + 65
Ewart New Nthn. ... 270 + 30	Sammelson ... 840 + 60
Finlay Packaging ... 62 + 15	Shell Transport ... 717 + 12
Fisher (A.) ... 124 + 8	Systems Designers ... 135 + 35
Hampton Ares ... 192 + 16	Tilbury ... 134 + 6
Hanson Trust ... 342 + 9	Willis Faber ... 850 + 20
House of Fraser ... 338 + 18	FALLS:
	Racat Elect. ... 213 - 4
	Wholesale Fitts ... 270 - 50

WORLDWIDE WEATHER

UK today: Cold. Sunny periods. Scattered wintry showers in E. and Scotland.

Y'day	Y'day	Y'day	Y'day
midday	midday	midday	midday
°C	°C	°C	°C
Aleccio F 11 52	Corfu S 17 63	Luxemb. C 0 32	Peking C -3 27
Algiers S 18 61	Olellast F 3 37	Medeira S 17 63	Perth C 23 73
Annamd. C 5 41	Oublin C 3 41	Madrid C 5 41	Prague F 1 34
Athens S 17 63	Obv. C 13 58	Moscow C 14 57	Rykyet. C 1 34
Bahrain S 20 58	Ednbg. C -1 30	Melega S 15 59	Rhodes C 16 61
Batavia S 12 54	Faro C 14 57	Melba F 7 45	Rio J'o C 10 30
Bombay S 19 63	Flavence C 5 41	Melbore F 7 45	Rome C 1 30
Belfast F 1 34	Frankf. C 0 32	Malina C 23 73	Seldorg. C 1 30
Belgrad S 4 39	Ganava S 4 39	M.C. ...	S'cisco C -1 30
Berlin F 12 54	Gibrt. F 14 57	Miami C 15 51	Singap. F 32 80
Birdz F 12 54	G'g'w. C 1 34	Atna S 4 39	S'vago F 6 41
Birming. C 4 39	G'msay. R 4 48	Mont. F -10 14	Sackham S -14 7
Blackpl. C 7 45	Helsinki S -18 0	Moscow C -2 28	Straabg. F 1 34
Bombay S 19 63	H'g'g. S 15 59	Munich C -1 30	Sydney F 21 70
Bordeaux C 10 50	Imbs. F -3 27	Nairobi F 23 79	Tangier F 14 57
Boulog. C 4 39	Inverness S -4 25	Naples C 11 52	Tel Aviv S 21 70
Bristol C 6 43	I.o.Men F 8 45	Nassau ...	Tenerife S 6 41
Buenos C 18 63	Island F 12 54	Norwich C 1 30	Toronto S -2 23
Budapest S 3 37	Jarvey C 7 45	N. Yark. C 1 34	Tunis F 13 55
Caro C 19 66	J'burg. F 19 66	Nice F 12 54	Valencia F 15 59
Cardiff C 28 72	P'lma. F 19 66	Nicosia S 16 51	Vancouver C 1 34
Chgo F 28 72	L'bon. R 14 57	Norfolk S 16 51	Vienna C 1 34
Chico F 28 72	Locarno C 2 36	Orp'ro R 13 51	Warsaw S -1 30
Colonie C 4 39	London C 8 48	Oslo S -11 9	Warsaw S -1 30
Conq'n. C 1 30	Ang. C 11 52	Paris C 5 41	Zurich S 1 34

C-Cloudy, F-Fair, G-Fog, R-Rain, S-Sunny, Sn-Snow, T-Tenon GMT temperatures.

BBC Continued from Page 1

increased and staff numbers reduced, redundancy payments would mean that no savings would show up in cash flow terms for at least 18 months — half way through the next licence fee period.

Peat Marwick noted that the BBC's auditors,

required would be contained in the agreed agenda for talks, to be drawn up next week. A further 170 new faces returned to work yesterday, bringing the total for the week to 3,386, the highest total since November.

Some 9,300 have returned so far this year, bringing the number claimed by the coal board as not on strike to 77,000.

John Hunt writes: The Government insisted yesterday that there could be no settlement of the coal strike on a "false or fudged basis." One senior figure said that, rather than that, he would prefer to have no agreement at all.

It was, however, emphasised that there was no intention of trying to humiliate Mr Scargill and the NUM leadership. The Government's role in the dispute, it was argued, was justified because it was in effect the "banker" to the coal board and had invested large sums of money in the pits.

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